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EAST EUROPE

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TWO VIEWS ON ETHNIC QUESTION IN TRANSYLVANIA

London EAST EUROPEAN REPORTER in English Vol 2 No 3, 1987 pp 44-48

[Text]

THE THREE Romanian signatories of the Joint Declaration of the 30th anniversary (see *EER*, Vol. 2, No. 2, p. 63) of the Hungarian Revolution – Cornelius Coposu, Nicolae Carandino, Ioan Puiu – are all three members of the older generation, have backgrounds in the National Peasant Party (NPP) and have served long prison sentences. The NPP was a democratic party, representing the interests of the peasantry and small town middle classes; it was dissolved forcibly in 1947 by the communists and many of its members were subjected to severe harassment. Its leader, Iuliu Maniu, died in prison. Coposu had been the party's deputy secretary-general and has served a total of 17 years in prison, mostly for trying to keep some of the traditions of the party alive. Carandino was editor-in-chief of the NPP's newspaper *Dreptatea* (Justice) and has spent 15 years in prison. An attempt was made by the authorities during the 1970s to coopt him by allowing him to publish some of his recollections, but the picture that he sketched of prewar Romania was too attractive for this to be permitted for long. Ion Puiu had been head of the NPP Youth organisation before its suppression; he served 17 years in prison afterwards. In 1985, he announced his intention of standing as an independent candidate in the general elections; the authorities prevented him from doing so and have subjected him to reiterated harassment since. Puiu has been the mentor of the recently revived oppositional NPP youth group, the members of which have been arrested and, according to reports, severely beaten. After the announcement of the decision to sign the 1956 appeal, Puiu was further harassed and, because the appeal concerned something Hungarian, was accused of betraying Romania by selling out Transylvania to the Hungarians.

The Ethnic Question in Romania

The question of Transylvania and the situation of the Hungarian minority in Romania has been one of the most painful affecting opinion in Hungary and one of the most sensitive in the eyes of Romanians. Under the Ceausescu regime, the entire population of Romania has suffered the most extreme privation experienced in any European country since the war, but Hungarians argue that the ethnic Hungarians of Romania are the victims of double jeopardy, in as much as they suffer both as citizens of Romania and as members of an ethnic minority. The two documents published here, one voicing the views of a Transylvanian Romanian and the other, of the well-known campaigner for Hungarian ethnic rights Karoly Kiraly, offer contrasting and overlapping perspectives on the problem.

The Romanian View

FIRST, LET ME MAKE a personal confession. I am a Romanian of old stock, a Transylvanian and a Uniate, and my genealogical tree is beautifully ornamented. An ancestor of mine was among the illustrious scholars of the "Latinist School"; another, born later, was specifically destined to suffer in connection with the trial of the

memorandum writers'. A grandfather of mine was to withstand a great deal during the four years of Horthy's rule because he continued to live in Transylvania on watch while others had fled the country.

Consequently, you can see that I would seem to have many reasons to curse the Hungarians.

However, I am too solidly immune to hatred, perhaps also because of a small accident in our family about a century ago. My grandfather fell in love with a Hungarian from the Ciuc region who was to become my grandmother. That is why I speak Hungarian passably, why I have remained quite immune to resentments, preconceptions and prejudices, and why I often try to put myself in the shoes of a non-Romanian, why I listen to arguments alien to us, and why I force myself to judge in other ways than those to which we are accustomed.

I realise that my situation represents something of an exception. However, I hope that I am not the only Romanian who has rid himself of the entire system of judgements, sentiments and traditions which determine our way of thinking on this matter. The more so as I am firmly convinced that the Hungarian problem, Romanian-Hungarian relations, the situation of the Hungarian minority and our attitude toward all these represent nowadays the crux of Romanian existence.

Unfortunately, my opinions on this problem differ not only from the state of mind Mr Ceausescu has generated in the country and is also fostering abroad, but also from the feelings and opinions which characterise the way of thinking of many good Romanians all over the world. My view does not rest on strong tradition, does not enjoy much popularity, and it might even hurt honest and deeply-rooted sensibilities [...] All the more reason, then, that we should recognise the urgent necessity of revising our Romanian attitude and our national policy toward the Hungarians, especially toward the Hungarians in Romania. [...]

We have all lived through the haze of burdensome reminiscences. There are no idyllic stories to make us nostalgic about Hungarian rule. When they were masters, the Hungarians were haughty and arrogant.

But I fear more what will be said of us by the children of the Hungarians who now live in Banat, Transylvania and in the region of the Cris River. Even in the half-century after 1867, we still had our own cultural societies, we had Astra³, we

had our banks and cooperatives founded on the national principle, we had our political parties. Even in the Hungarian Social Democratic Party there was a Romanian section. We had newspapers and journals, deputies in parliament, schools administered by the Eastern Orthodox Church and by the Uniate Church, and no matter how censored and oppressed those institutions of our national life were, no matter how humiliated we often were by the stupid and shortsighted Hungarian administration, no matter how ambitious their policy of Magyarisation was, nevertheless, some major works of the Latinist school were published in Budapest, Maniu was a deputy in the parliament in Budapest, and the encouraging words of national awakening of a Slavici or a Baritiu, of a Goldis or even of Goga, were often printed by the printing presses in Budapest and even by those in Transylvania dominated by the Hungarians.⁴ I know very well the acts of oppression committed by the Hungarian administration against expressions of the Romanian spirit. I know very well that the Hungarian aristocracy despised and humiliated us. But I also know something which is passed over in silence these days: that there were enlightened Hungarians who defended us even in the Budapest parliament. I have studied the texts of a certain Lajos Mocsary⁵ with emotion and attention and I would be happy if there were today a Romanian who showed as much courage in his defense of the Hungarian minority in Transylvania as that trueborn Hungarian dared to display when he spoke up for our interests and for the truth.

It should be known that even during the years of Horthy's rule over northern Transylvania, the Roman Catholic Bishop of Alba Iulia, Aron Marton, had the moral and spiritual courage to speak out against our oppression from his pulpit in St. Michael's Church in Cluj. Why is it, then, in Ceausescu's Romania, that the entire apparatus of the state and party propaganda stress only in those facts which incite hatred and revenge? Why does even the Orthodox Church – whose mission is to serve the message of love for our neighbour – today only inflame the pains of our past wounds by reprinting in monstrous anthologies everything that was published against the Hungarians by the Iron Guard's press? Sometimes they even resort to entirely useless fallacies, as in the case of the history of the Church in Miercurea Ciuc, which was presented as having been devastated by the Hungarians when in fact

it was never finished and dedicated. I wonder what Romanian interests nowadays request that national hatred to aroused to unprecedented heights. What interests require that the truth be falsified and distorted, that facts be presented in a biased and unilateral fashion, emphasizing and repeating to a paroxism only that which nourishes fiery, blind and stupid hatred.

In my opinion, none of these things serve Romanian interests even remotely. They can only serve Mr Ceausescu's personal interests.

He has adopted cunning and perfidious tactics. He knows very well that the national feelings of Romanians have a strong anti-Hungarian tradition. He knows very well that even the hint of a Hungarian threat, of the Hungarians' claim on Transylvania, is capable of mobilising immediately all the forces of our people. This is indeed the only – the last – slogan which he can still use to mobilise us. He no longer has any other means, any other arguments. Consequently, he is counting on this sentiment, on this reaction of ours which is almost atavistic and, behold, he succeeds in blinding us [...]

The political and ideological platform of Mr Ceausescu's personal power and of the power of his family today rests on two highly trustworthy pillars: our anti-Hungarian feelings and the security police.

The regime – and, I gather, many Romanians of good will – rejoice, believing that the apparent assimilation of minorities might be a source of strength for the nation. How mistaken they are! Bucharest's leadership, at least, should have drawn some conclusions from our own historical experiences. Oppression, suppression and forced assimilation only breed resistance, hatred, revolt and revenge, strengthening the ties which bind the oppressed to their national identity. In the face of trials and hardships, only the worthless dregs of a minority deserts, as our own Romanian history proves.

Mr Ceausescu has initiated a highly original, official chauvinism. To gain Romanian support, he continuously insinuates that Hungary claims Transylvania, that the unity of the country is being threatened, and therefore by implication, that the Hungarians living amongst us represent a potentially dangerous mass.

And then in order to prevent all enlightened, open-minded Romanians with a sense of justice (who do not forget how dear our native language, culture and schools were to us during the difficult times

of Hungarian rule) from concluding: "Look, even if the Hungarians were no threat until now, they will surely become one, since we are contesting their very national existence" (recall here that our party documents speak of "Romanians of Hungarian nationality" or even "Romanians of Hungarian mother-tongue".) Mr Ceausescu has dreamed up a new apology for inequality, one based on the principle of historical priority!

And how well he has managed to inoculate us! We are almost prepared to believe in the right of the first-comer, while making fools of ourselves in the eyes of the Western world who witness the embarrassing display of a total renunciation of all democratic principles. The classification of a state's citizens in terms of "natives" and "aliens" sounds ridiculous and shameful to all countries accustomed to being ruled by the ideas of liberty and equality. And it sounds even more embarrassing when applied to a population that settled upon a territory (even according to the theories of the "great" historian Ilie Ceausescu) no less than 700 years ago.

Every nation in the world is prone to haughtiness and vanity. We feel extremely flattered by the idea of our priority, by the idea of an ancient and noble genealogy – and we are willing to believe that the equality we might grant the "barbaric and alien Hungarians" is a proof of our national generosity.

We even violate the stipulations of the Alba Iulia decree on the status of nationalities (intended to be a guarantee of the Paris peace treaty) just as we forget all our pre-1918 grievances and requests – not to mention the sacred principles of democracy.

I realise that these remarks will only find a resonance among those Romanians who are conscious of our true interests, of those pertaining to the future of our nation conscious that Ceausescu's chauvinism compromises and enslaves us; who recognise that the person who has ruined the country, who has caused a material, moral and spiritual crisis which threatens the future existence and health of our people, who has only a profound contempt for the Romanian nation and has destroyed its culture, has indulged in a ghastly and immoral game: he grants us the mean satisfaction of noting that there exists in our country a group of people even more oppressed than ourselves. He succeeds in manipulating us to such an extent that a significant portion of pent-up aggressions

are diverted and directed against the minorities – instead of against himself.

One obvious fact stands out: it becomes increasingly difficult to require from Hungarians, Germans and other ethnic populations a whole-hearted commitment to an official ideology that becomes more chauvinistic with each passing day. If the ethnic person's loyalty and identity can only assert themselves against and to the detriment of the national feeling, if we expect him to hedge patriotic feeling while constraining him to cry "Kick me out of the country! I am an alien, barbarian, criminal!", then we certainly stand no chance of winning him to our cause. If a Hungarian, Saxon, Swabian or Slav – be he Ukrainian, Serbian, Bulgarian or of another ethnicity – is only considered a loyal and honest citizen on condition that he renounces his national identity, we shall surely succeed in forcing them all to become truly disloyal and enemies of the country.

Unfortunately, the Romanian public is not aware of the present-day situation of the minorities and many might therefore approve of a series of phenomena which, in reality, contravene our interests and cast a shadow upon the image of our people and our country in the eyes of the world.

Any time the international press mentions the fact that even predominantly Hungarian regions, such as the areas inhabited by the Szeklers⁶, must put up with Romanian officials in leading positions who do not even speak the local language, any time the Western press reports on the restrictions on education in minority languages, the official Romanian press reacts violently, crying "Calumny! Revisionist propaganda! Hungary wants our Transylvania!" So many Romanians believe to this day that these are, indeed, calumnies. And they thoughtlessly babble "He who eats Romanian bread should speak Romanian." We do not realise, alas, that we are repeating the historical error of the Hungarians, and that if a review of the status of nationalities in Romania by some objective and unbiased forum were to be undertaken, we would soon discover that it is Ceausescu's own national policy that is endangering the country and its territorial integrity [...]

The communist press used to proclaim that chauvinism is only the poisoned weapon of the bourgeoisie, a diversion used by the upper classes in order to control social unrest. Today, Ceausescu's chauvinism represents, unquestionably, a diversion practised for the sole purpose of perpetuating his personal power. God

protect us from political shortsightedness and from the haze veiling all truth when we allow ourselves to be flattered by lies.

Notes

1. The Latinist school was an eighteenth and nineteenth century school of intellectual and political thought whose main object was to demonstrate the Latinity of the Romanian people and language and to struggle for the emancipation of the Romanian nation in Transylvania.
2. The memorandum was a protest by Romanian patriots to Austrian Emperor Francis Joseph I against the Hungarian government's nationality policy, which led to the prosecution and imprisonment of its authors.
3. Astra was the cultural association of the Romanians of Transylvania in the nineteenth century.
4. These were leading Transylvanian and Romanian political and cultural figures in the nineteenth and twentieth centuries.
5. Mocsary was a Hungarian conservative in the late nineteenth century who repeatedly warned the Budapest government of the unwise of denying nationality rights to the ethnic minorities.
6. Approximately 700,000 ethnic Hungarians, known as the Szeklers, inhabit an area in Central Romania where they constitute the overwhelming majority of the population.

The Hungarian View

An Interview with Karoly Kiraly

How would you describe the situation of the Hungarian minority in Romania?

Karoly Kiraly: Let me first make a general observation: We have the right to live. We have the right to live here. We have the right to a national existence. It is possible – as they say in even the officially distributed literature – that we Hungarians are devils, barbarians who invaded Romania. But however you look at it, whichever way you approach it, we have lived here for the past 1000 years and we do not wish to cease to exist as a nation. It is possible that during

those 1000 years, as the dominant nation, we committed all those mistakes that can be made by dominant nations in oppressive class societies. Although I don't think that we could have been such horrible oppressors since the whole concept of "Romanisation" – the Romanian national belief that Romania was the direct decendent of ancient Roman culture – that whole concept emerged from Hungarian-sponsored Humanistic teachings.

We may have been monsters, though I think just small ones. But whatever we have been in the past, now we are not the same.

We do not want to rule but we do not want to live the life of a minority. Although numerically we are a minority, we are the largest minority in Europe. We are two-and-a-half million people and because of that, a nation. We are the Romanian Transylvanian Hungarian nation. We want to live in brotherhood with all the other nations and nationalities on this territory and accept them for what they are, the way that they are. But we cannot tolerate that they want to exterminate us as a nation.

Do you see any indication of this intention in the policies of the Romanian government?

May I draw your attention to the changes in official language. Until about two years ago, they talked about "nationalities living together", that is, Romanians, Hungarians, Germans, Ukraniens, Serbs and Jews. The word "nationality" instead of "nation" underscored our being a minohity but at least we were considered Hungarians in the official rhetoric. Two years ago, the expression "nationalities living together" disappeared and was replaced in presidential speeches and in the newspapers by "Romanians of different languages", or "the Romanian nation" and even "Romanians speaking Hungarian, German, etc." I emphasize that this does not mean *living* in Romania, but ethnic Romanian. As far fetched as this ethnically non-Romanian Romanian idea may seem, this concept has replaced the idea of "Romanian citizen". This shift tells us something about the intent to Romanise. This intention, naturally, pre-dates the change in official language I described. It was inherent in all the previous Romanian government policy too. But, as Sandor Csoori wrote in his forward to Miklos Duray's book, national oppression is most effective where the government has total control.

Aside from official rhetoric, can you give other examples to demonstrate a policy of national oppression?

I do not want to list all the terrible data. Let me just mention a few examples which, in themselves, will demonstrate how desperate the situation really is, how advanced the policies of extermination are, how well developed the policy of cultural and national rights deprivation is, and how far-reaching the process of intimidation has become.

In political and community institutions, the Hungarians are represented only by a fraction of their real percentage. This disproportion is a function of a process of constant deterioration. Not even in the Hungarian administrative units with the densest population-areas where Hungarians are in the clear majority are Hungarians represented in the middle or upper echelons by more than 20 per cent. The same percentage exists in jobs that require diplomas or higher education.

In both cases, the low proportionate representation is the consequence of a consciously selective policy of national discrimination, even if this policy is not openly acknowledged in the "Hungaro-laws".

It is also a fact that they aspire to rob the Transylvanian Hungarians of their intelligentsia, thus turning us into an ethnic group without intellectuals. They are doing this with a series of clear directives. One of the techniques is to assist intellectuals in their emigration to Hungary and to other countries, indeed to force the emigration of some important intellectuals. The other way that the regime is destroying the intellectual community – and in the long run this is much more dangerous – is through discontinuing the national language schools. Yet, in effect, this is already happening.

Just look at the comprehensive data. You probably know that already in the seventies, Hungarian universities and institutions of higher learning were closed. With this, the prospects for lower education were practically destroyed. For the last ten years, in the two lower education establishments – the low and middle schools – the number of pupils schooled in the Hungarian language dropped by half every five years.

Ten years ago 13-14 per cent of all elementary school pupils in Transylvania

went to Hungarian schools. Five years ago the percentage dropped to 7 or 8 per cent. Today, their number must be well below 5 per cent. The official Hungarian middle school, the gymnasium, had 30,000 students ten years ago; five years ago their number was 15,000. Today, somewhere around 7 or 8,000.

The uncertainty about today's figures stems from the fact that minority pupils' numbers do not appear in official statistics. They are logged under the category "different language romanians" so one can only guess.

But even if official statistics were available, they would not show what is even more frightening: the actual concept of "Hungarian language schools" has changed. It has been turned around completely.

Ten years ago they began to alter these schools where at one time only the Romanian language and literature were taught in Romanian. Instead, today, they have instituted "mixed schools" from the lowest grades on. Ostensibly the only change was that rather than have separate schools for Hungarians there were now separate classes for schooling in Hungarian. What really happened, under the guise of reorganisation, was a radical deprivation of rights, a process which by now is almost complete. The idea of schooling in Hungarian no longer means that the pupil is taught in Hungarian, only that Hungarian is also taught, and then probably only the language and literature – all other lessons are in Romanian.

They did not rescind constitutional rights, they did not nullify international agreements. They arrived to this point in a secret administrative fashion. Most of the restrictions were justified by a so-called "lack of Hungarian teachers". The lack, however, was not only created but was caused by the imposition of punitive sanctions. Hungarians with diplomas – teachers, doctors, scholars – were placed in jobs outside Transylvania or in Romanian-speaking territories. If they rejected these jobs they were unable to obtain any other work, and therefore had to reimburse the state for their tuition. Recently, they have been using this same strategy against teachers of the Hungarian language and literature if these teachers have qualifications in any other discipline – which most of them have. And so the circle closes.

Out of all the discrimination, I decided to speak about the area of education. Here, every day provides an example, if not of something new, then something humiliating. Just this week they erased all of the Hungarian inscriptions, even in schools where Hungarian is still taught. All the Hungarian inscriptions were removed, from the name place of the director to the notices on the walls, to simple inscriptions. My main reason for choosing education as an example was because the evidence speaks for itself: the days of the Hungarian minority in Transylvania are numbered if this trend continues.

What do you expect in the future?

We must choose and our choice cannot be in doubt. We must fight. We must fight because the choice is this: should the Hungarian nation melt away and cease to exist within a few generations or should it fight for its national existence? The nation can only survive if it fights. It has been proved that we have nothing to wait for, we can only rely on ourselves.

You are familiar with the power structure from first hand experience.

Yes. In 1972 I resigned from the substitute membership of the Political Committee. Up to that point, and this is no secret, I had cooperated closely with the Romanian Communist Party's highest leadership. I attended almost all the Central Committee meetings in Bucharest, I had good relations with Ceausescu and his family. Moreover, I had a good opinion of him. (It is true that at that time he was not the same as today.) I think that he liked me too. At the time, even the best of the Transylvanian Hungarian intellectuals could not understand my resignation. Today they understand that at that point, for the first time, I found myself at a crossroads. Either I follow the road with those who want me to be their cover – the man who would carry out their policies against his own people and stay on top and live well – or I choose the road in which I renounce that immoral role and go downhill. I went downhill.

While you were within the power structure were you able to learn about Ceausescu's personal view of the national question?

In 1971, after a meeting of the political committee, Ceausescu called me into his office. "Kiraly, come see me," he said. When we were alone he asked me, "What is

new?" "There is trouble," I replied. "The Hungarians in my district are uneasy and I cannot put them at ease because their concerns are legitimate." I took the data out of my pocket and told him everything that was not mere coincidence or accident. Whatever I know about Ceaucescu's personal views is only from his remarks at that time. After I finished, he took the telephone, called the Deputy Prime Minister and said, "Kiraly is here with me. He has told me about some great problems. I want a report within two months about minority policy with recommendations for remedying what has been damaged."

I had no reason to doubt his benevolence. I made sure that the Deputy Prime Minister received plenty of material. Something obviously happened. In one of his speeches, Ceaucescu mentioned that mistakes had been made, he did not specify, and he promised improvement. Nothing was improved. Not then and not now. Quite the reverse - we have experienced only a gradual, consequent worsening of the situation.

The world press has speculated about Ceaucescu's ill-health and the arbitrary authorisation of his leadership. What is your opinion of him today?

As I have not seen him in 10 years, I cannot voice an opinion. But I do know one thing: the situation in Romania is dangerously bad. It would be difficult to sink even lower than we have today. The policy for industrialisation is absolutely irrational, the balance of the economy is in shambles, the people are in misery and are terrorised. Real Stalinism exists in Romania today, the worst kind, and the tensions are mounting increasingly. You can only compare the depth of this Stalinism and the resultant tensions to the period before the 1956 revolution. Here you have it: this is the first time I have used that expression, "The revolution of 1956", and not only because I believe that that is what it was, but also because the accumulation of tensions threatens to explode in Romania too.

The 1956 revolution was preceded not only by Stalinism, but also by the thaw which began with the 20th Party Congress. Do you see anything similar in today's Romania?

You have to look beneath the surface. Even the average Romanian despises the official propaganda and he listens regularly to Radio Free Europe. Five years ago, I

could say this only about Hungarians, but now it is true for the whole country.

Here, I must express an important warning. The Romanians who live on the other side of the Carpathian mountains ask us Hungarians more and more often: Why don't you Hungarians start a revolution? We Romanians have no revolutionary tradition. But you do: 1848, 1918, 1956. I urge all Hungarians to reject this argument. We will not do their dirty work for them. As we say in Hungarian, they must pull their own chestnuts out of the fire. To create just national minority policies is not - cannot - be the responsibility of the national minority - they must be instituted by the majority. If we Hungarians were to yield to these revolutionary provocations, it would only be used against us. We would be accused of acting brutally and the authorities would disparage legitimate popular demands by calling them Hungarian ploys. Precisely because the country is in this grave situation, we Hungarians have the responsibility to stand up, in a firm but peaceful way, for our own rights but we must not attempt to intervene on behalf of all Romanians.

We have spoken to other Hungarians and your call for action is quite exceptional. How can you suggest mobilisation when most Transylvanian Hungarians complain that they do not dare to speak with each other, much less fight for their rights? In fact, your tone is altogether different from the others - it is more optimistic. On what do you base your optimism?

It is based on the fact that there is no other choice. If we do not fight for ourselves, then we really are lost. My optimism is also based on my faith in the ultimate success of human rights, in brotherhood and in humane common sense.

Despite all the disappointments of my life, I still believe in the ideals of my youth. I joined the youth organisation of the Hungarian Communist Party when I was 14 1/2 years old. At that time, under Peter Groza, we trusted his promises and believed that a Mittel-Europe, with vanished borders and peaceful coexistence of nationalities, was close at hand. Little angels fluttered around us then. Today they have reinterpreted that time, arguing that the Hungarians and Jews who were instrumental in building the Communist Party on the basis of the promise of

Mittel-Europe, in fact merely infiltrated the Party to influence its direction. I held Peter Groza in high esteem; he even spoke fluent Hungarian. I also maintained a good relationship with his son Octavian Groza and his daughter Mia. I am sad to say, in retrospect, that all those promises of brotherhood were deliberate attempts to manipulate us, to lead us astray.

You would also include Peter Groza among those who led you astray?

I would. He did too.

The United States has given Romania "Most Favoured Nation" trade benefits since 1975. But increasingly, people are questioning whether this should be continued. What is your opinion?

In the 1980's I had two opportunities to formally express my views before American officials: the first a delegation from Congress, and later, the American Ambassador to Romania. In both cases my answer was yes, in spite of human rights abuses and minority rights abuses American should continue to grant Romania MFN status. My argument was simple: what is good for the country is also good for the people; the more the country and the state receive, the more is received by the people.

I must now admit that I do not see this connection any longer. In today's Romania, the people do not get anything in either case. The State is incapable of strengthening the country's economy, or relieving the poverty of its people even if it can trade favourably. Under these circumstances, suspending the trade benefits would send an important message to the government related both to the policies on human rights and to the economic policies that make it impossible to benefit from the MFN status. I think it would be important to revoke it.

Do you think that the Hungarian government is doing all that it can for the Romanian Hungarian minority?

Of course not, but do not let me leave this complicated question at that. It is instructive to know why not.

In your opinion why is the GDR not doing anything for the Germans in Romania? They do not even have a common border with us. Do you believe they think that West Germany is doing

their work for them? To believe this is a mistake. The GDR would not be doing much even if West Germany did not exist for the same reason that the Romanians do not act on behalf of Romanians living in the Soviet Union. The reason? They would draw attention to the policy of the Soviet Union towards its own minorities - Hungarians, Germans, Romanians, Serbs, Lithuanians, Ukrainians, Moslems. The Soviet Union would not appreciate friendly nations censuring each other for policies in which the Balkan situation is the best example.

The Hungarian government, in fact, seems to be very active in these matters when one compares them with the Romanians who have been completely passive in their relationship with Romanians who live in the Soviet Union. The Romanians have done nothing about Bessarabia, for example. The Hungarian government has sometimes helped individuals and carefully hints at the problem in the press. But look at the Romanian minority in the Soviet Union. One must know that some of the Romanians living there were renamed; Moldavians are the majority. The others, those in the Ukraine, were permitted to be identified as the Romanian minority but all of them have been forced to use the Cyrillic alphabet. Romanians have been completely silent because of a compromise: one million Romanians in Bessarabia are russified; Ceausescu stays mute about this loss because he gains six million Romanians in Transylvania which includes Hungarians and Germans.

But don't you think that the Hungarian government could do even more?

From my previous argument it follows that I understand the policies of the Hungarian government but I do not accept them. Hungary is not condemned to impotence. May I add that I agree with those Hungarians - Csoori, Csurka and the Rajk group - who urge the Hungarian government and society to speak more openly about the problem and give more effective protection.

On the other hand, those who push the Hungarian government should not exaggerate either. That is not to say that they were wrong when they demanded stronger action, but realistically even the most outspoken Hungarian government could not decisively influence our situation. Just as important as they may be, Western

and American judgements do not help. Our fate will be decided here in this country and it depends on us: Hungarians, Germans, Romanians. If we do not stand up for ourselves, no one can help us.

I recently spoke of the Hungarian writers, the democratic opposition. They must not acquiesce to the notion that we only listen to the news and we do not shape it. I do not run after anyone. It makes no sense to simply augment the numbers on any document. But I say now that I would have signed the internationally published document on the anniversary of the 1956 revolution had I been asked because I agree with it. Just as I am sympathetic towards Charter 77, towards the Polish Solidarity trade union. I watched with sympathy the experiment to make a free Romanian trade union.

When Geza Szöcs and Dorin Tudoran brought me their formal proposal to the United Nations which requested the establishment of a U.N. division on world minorities, there was no signature on it. Even the authors signed after me. I still believe that the proposal is outstanding and my hope is that Tudoran in America and Geza Szöcs in Germany will be able to promote it. I am here in Tîrgu Mureş and whoever is looking for me to support a good and worthwhile matter can find me here; we are not at the end of the world.

How do you make a living? What is your work?

After the memorandum of 1978, addressed to the Romanian Communist Party, in which I discussed the minority question, I had to live in a designated area.

I had good work there as a manager of 6000 men. I am a manager now too; the director of the Tîrgu Mureş canning factory. I am responsible for 1600 people, 60 per cent of whom are Hungarian. My wife, by the way, is German, and our child Ingrid goes to a German language school and takes Hungarian lessons in addition to her school work.

How can you keep such a responsible position and be so openly critical?

Perhaps because of the results. I do not think that there are many plants in Romania which realise 120 per cent of their plan. I export a great deal and in today's Romania that is very important, perhaps too important. That is not to say that I do not encounter obstacles in my work. I will give you an example. My example, of course, will not be precise because I am a law-abiding citizen and the production of plans are national secrets here. But this will still give you some idea of the situation. In December I must ship more than 500 tons of meat conserves. Today is 12 December and thus far I have not received one ounce of meat.

As long as I am speaking about being law-abiding, let me warn you that I will write a report about our conversation here which took place after I went bowling and drank some wine. The law obliges me to do this.

Could we ask you to make your "law-abiding report" only after Sunday?

Even if I wanted to, I could not make it earlier as the mail does not function at the weekend.

/9274
CSO. 2020/115

CONCERN ABOUT WESTERN INFLUENCE ON YOUTH EXPRESSED

Prague TRIBUNA in Czech 25 Feb 87 pp 8-9

[Article by Jan Beran: "Among Idols and Entertainment"]

[Excerpts] Junology, a new science, the science of youth, has been a topic of discussion in the West for some time. Therefore, who is better qualified to answer our question: "What does the West think about the problems of youth?" "The world of the growing generation is situated somewhere between the coffee house and the cinema." (D. Gottlieb and C. Ramsey) "Let those young jerks do what they want; let them dance; let them kill or rape; let them gulp down their drugs--the main thing is to keep them away from politics as much as possible; anyway, in the end their politics would turn out to be Marxism." (D. Stokes)

What have the young people in the West done to unnerve the esteemed junologists?

History is long, complex, highly instructive and always timely.

Countless falsifications, misinterpretations and hypocritical theories allege that students are the most revolutionary force of our time and that youth cannot find a common language with the generation of their fathers and grandfathers; there are concocted theories about the "youth subculture" and "counterculture," the "self-identification of youth," an "autonomous lifestyle of youth" and the "young people's isolationism." All that is aimed at the same goal: to disrupt and break off the continuity of generations.

The old imperialist stratagem "Divide and rule!" celebrated a triumph. The hostile forces succeeded in infiltrating youth protest movements, dividing them into factions and small groups, disorienting them, setting one against another, and driving them to despair. In the early 1970's a certain part of the "new left" did find its way to the communist party, but most youngsters began to destroy themselves with hangovers, narcotic orgies and sectarian and sexual perversions.

It seemed that every version of the "lost," "silent" and "broken generation" would be replayed, but as the 1970's turned into the 1980's the current youth movement in the capitalist countries demonstrated that the losses were only temporary. A powerful antiwar movement, a vigorous struggle against the obscene nuclear policy of the former and of the current North American

administrations, the fight for social welfare and against the "prohibition of employment" graphically illustrate why the junologists are losing their nerves and can no longer use the "fig leaf" of their would-be profound theories and concept. Instead, they use invective against young people.

From our perspective, however, this whole problem has several pitfalls. First of all, it is a fact that the young people in our country are still relatively ignorant about their Western contemporaries and about the struggles waged by their fathers and mothers. In my opinion, our mass communication media offer only very fragmented information about the problems of young people in the West, without historical points of reference. Neither our press nor scientific literature deals extensively with these issues. However, in addition to our errors and shortcomings, there is the Western influence.

Who in fact are those members of our young generation whom we call "the problem youth"? The cases of identified and convicted criminals may give us some idea, although they involve the already "finished product" while people simply may no register the latent symptoms.

We have young people who on their own or in association with Western traders learned to plunder the treasures of our history and art (from museums, galleries, castles, palaces, churches and shrines). Why?--For the promise of the vision of sugarplums from Tuzex. We have young people who are enthralled by the "chic" of drug addiction in the West. Hard drugs are not easily accessible in our country and so those youngsters "sniff" and cripple themselves (physically and mentally) and even commit suicide. In their craving for substitutes of hard drugs they steal and falsify prescription blanks and rob pharmacies and storerooms for pharmaceutical and hospital supplies. We have young people who year after year leave, or try to leave, our republic. The reasons they state (if they get caught) demonstrate their pathetic illusions (knowledge and awareness cannot be mentioned in this context at all) about the actual situation in the West and what may await them there. We have young people who got their training from films imported from the West and thus armed, they committed the most heinous crimes against life and welfare of payroll carriers; who, armed in the same way, prey like parasites on socialist and private property (they pilfer, steal, defraud and engage in black marketing). Among our young people are hardened repeaters and alcoholics.

Many of those who have not yet fallen so deep also harbor colorful fantasies about the capitalist West. In particular, they cannot understand--and this is another warining lesson--that with their pipedreams, idols, fashions and entertainment (so long as it is their only spiritual food) they are setting themselves up as an easy target for one of the craftiest methods of the class struggle against socialism.

"This is the greatest hit everywhere?" What a disarming motto! However, the West has not given up its political and ideological brainwashing. It tries to promote illusions and myths about contemporary capitalism and its lifestyle. It expects to succeed in "expanding its influence in the hinterland of socialism"--particularly with the aid of the inexperience and other idiosyncrasies of youth.

Stanislaw Lem once wrote: "I really do not know what is more peculiar: the naivete of the wretches who are playing the subculture game and who have turned nonconformism into conformity, or the blindness of the theoreticians who so admirably failed to recognize the causes of it all." (!)

Of course, we would not want to say that the behavior of this part of our youth is motivated by isolated Western influences. That would mean that we have renounced the premise that young people are molded by their immediate environment, the atmosphere in society, their parents' example, hypocrisy and sincerity, conformity of discrepancy between words and deeds, and the progress of the development of socialism. Thus, we would give in to despair, doubts and a feeling that our society does not have what it takes to foster a wholesome development of the young generation in its entirety. However, the communists cannot simplify their approaches in such a way.

The time has come for us to act more responsibly in our duty to bring up our young people.

9004/12951
CSO: 2400/232

PRINCIPLES OF RESTRUCTURING EXPLAINED

Prague TVORBA in Czech 8 Apr 87 p 9

[Article by Jaroslav Hejkal: "No Show?"]

[Excerpt] I must admit that--however improper it may seem--I like to eavesdrop on the conversation of strangers. For this I beg forgiveness of the group of patrons who were sitting at the table next to mine in a suburban bar where I was killing time while waiting late one night for the last bus to the city. That group was passionately debating a very timely topic. Allegedly, while in the USSR the "perestroika" is proceeding at full speed ahead, it is "no show" in our country. Naturally, I would not want to insist that this party of local characters constituted a representative sampling of public opinion, nevertheless, their views were expressed so categorically that we should think about them.

Well, how is it with the "no show" in our country? How have our highest representatives--of the party and of the state--reacted to the current development in the USSR? How significant is for us, for instance, the decision made by the plenum of the CPSU Central Committee last January?

I believe that those questions were frankly and clearly answered by Gustav Husak when he said in his opening address to the 5th plenum of the CPCZ Central Committee: "No one is forcing upon us the decisions of the CPSU Central Committee, but we shall learn from whatever may help us implement the decisions of the 17th CPCZ Congress has opened far-reaching opportunities for our economic, political, social and ideological progress. We are translating the initiatives of the January plenum of the CPSU Central Committee into reality in order to intensify our programs and to accelerate our progress."

Naturally, even his frank words in themselves are not necessarily enough to change the categorically stated views of that group and undoubtedly, also of many other citizens. Therefore, let us use at least one illustration which, in my opinion, is one of the most important and convincing facts because it affects each of us. It refers to the restructuring of the whole system of our national economic management, which has already begun with quite specific practical steps.

Those who have honestly studied the published principles of restructuring and who got acquainted with their basic premises will certainly agree with me that this effort is no partial correction of our current method of management but literally a radical qualitative breakthrough, or if you like, a genuine revolutionary change with an impact on our future that is unprecedented after the Victorious February [of 1948]. What is the essence of the changes in management? It may be briefly described as follows: a completely new position of economic organizations vis-a-vis the central management sphere, characterized by the fact that they will no longer have merely to fulfill tasks assigned to them "from above" and that their independence and authority will be fundamentally expanded. By the same token, their new position will facilitate their transition to complete khozraschet and thereby, enforce the principle of self-financing of enterprises. In other words, their teams will independently manage their social production assets and funds entrusted to them, and have at their disposal only assets created by their own socially beneficial programs. They will be able to use them according to their best judgment, of course, in accordance with the generally stipulated regulations, which include the duty to pay taxes to the state treasury, to replace and expand the assets entrusted to them, and to accumulate necessary capital reserves and wage funds. Thus, the logical assumption is that on the above-mentioned basis our enterprises will adopt more efficient attitudes to work and its final results. The khozraschet method of management within the enterprises and the relative autonomy of their work teams will foster the application of each person's best initiative, because every individual will be able to earn more rewards for the work well done.

At least this much about the radical change in our economic management. The fact that this will not be the only change has been confirmed by Lubomir Strougal in his address to the deputies of the Federal Assembly at their recent joint session which reviewed the fulfillment of programs launched by the CSSR Government. From his words it follows that the new mechanism of our economic management will also call for the restructuring of our state administration. A very meaningful task of our national committees involves the introduction of democratic principles in the activities of deputies, elected officials and agencies. Our prime minister said: "We are using the CPSU's initiative and experience to the best advantage also in this area. It is quite logical that all qualitatively new trends which determined our modern history and which are still showing us our orientation have placed us alongside the USSR. Only the course outlined by the 17th CPCZ Congress, by the 27th CPSU Congress, and by the January plenum of the CPSU Central Committee will bring us success and safeguard the further dynamic development of our society."

Thus, as we may see, there is no "no show" in our country. However, every citizen must begin to change his old, routine way of thinking and to stop viewing our progress for the old perspective, often without any real knowledge of the situation. This applies even to the debates in places where talk has always been cheap and beer was flowing...

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WOMEN'S WORKLOAD PROBLEMS, NEEDS LISTED

Prague SVOBODNE SLOVO in Czech 19 Feb 87 p 3

[Text] It used to be said about women that they are the more delicate and gentler half of mankind. But with their growing emancipation, their entry into the workplace and increased level of education, it began to appear that perhaps that was not the case after all. Opinions were even heard that a woman is stronger than a man, that she can endure much more. But actually the reality is quite different. This has been confirmed by the warning signals which have been showing up lately in health statistics. Namely, that the incidence of women's work disability is increasing, that the share of women who are absent from work because of illness or injury is 30 percent higher than that of men. Why?

We had the opportunity recently to talk with specialists and physicians. Their answer was unanimous. Too great a workload on women, who fulfill often demanding tasks at work and then they start a second shift at home. And that shift is not just a walkover. Shopping for, and preparing meals--13.5 hours a week, housework another 25.5 hours, that makes 39 hours altogether, while men devote 14.5 hours to the family, children, etc., which is a considerable difference. But that is not all. For example, if a man gets sick, he usually stays in bed and follows the doctor's advice. A woman, as long as it is at all possible, tries to catch up on the work she could not take care of at home during the usual time. The solution, of course, cannot be found only in appeals to men to increase their share of the housework. It lies, actually, somewhere else.

In services, of course. Although there has been some improvement lately, they still do not relieve women sufficiently of the time-consuming and burdensome housework. Their inadequate structure, distribution and operational time--these represent only some of the problems. And what about the markets? We could talk again about their inadequate network which is responsible for long waiting lines when we return from work. To just fill up one's shopping bag, place an order at the plant or directly at the store remains just a dream for most women. Of course help would be ready-made or partially prepare meals. This should be...but their average yearly production is only about 20 portions per citizen, which is very little. If these prepared means were to help provide women with more free time, their production would have to be increased approximately tenfold.

These concerns, too, are being brought to attention by women, members of the Czechoslovak Union of Women, who are just now meeting at their regional conferences. In some places they can point with pride to certain concrete results of cooperation between the Czechoslovak Union of Women and the national committees. For example, in the Rychnov and Kreznou district they succeeded through the initiative of the Czechoslovak Union of Women headquarters in expanding services by establishing sales outlets of the national committee, remove shortcomings in the supply and quality of food, etc. With the help of women deputies they are trying to improve the situation also in other places. But all that--as we said earlier--still does not meet the needs sufficiently.

According to research, a working mother has only two hours of free time per day which she can devote to herself, her hobbies, or rest. That, of course, is not enough. And in the morning it all starts all over again. Wake up the child or children, prepare breakfast, perhaps also a midmorning snack for the schoolchildren, take the young child to nursery school, then hurry to work, after work fetch the child from the nursery school, drawn out shopping, nervousness in the waiting lines, tired and restless child, shopping bags. At home quickly change shoes and clothes, calm the child, dinner, dishes.... But I do not have to tell you about this. The result is that 30 percent higher work disability of women in comparison to men. Except that all this cannot be solved by doctors. We must hear from the Women's Federation, the manufacturers of prepared foods, services which should truly serve, the stores...and also from the departments.

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SHORTAGE OF TV SETS REVEALED, CRITICIZED

Prague SVOBODNE SLOVO in Czech 19 Feb 87 p 3

[Text] The production of consumer electronics definitely is not the most important function of the electrical engineering industry, yet in every case it is precisely by its level that the overwhelming part of the public evaluates the activity of that department. Every one of us can compare its technical parameters and designs with what is available abroad. And so far, such comparisons usually have given us no cause for optimism.

We hear criticism from lovers of complex technology as well as from ordinary consumers who do not care about an extra decibel or hertz. The basic problem, as it happens, is the general shortage of certain products, particularly color television sets. Portable ones are always in short supply, but there are fluctuations in the availability of table models as well, which today include the types Color 419 (56 cm measured diagonally), Color 416 (67 cm) and since last year also Color 419 (87 cm). These television sets have, in comparison with the previous models, better quality of electronic "insides," which will produce, for example, better quality sound. Buyers will perhaps appreciate the changes in the cabinets, which now have rounded, instead of sharp, edges, and will be produced in more color selections. They will be definitely less satisfied with the high prices.

In readers' letters we often come across the question where, in fact, are those television sets that were manufactured, since they are not in the stores? We shall be hearing this question again this year, because Tesla Orava still cannot satisfy all the interested customers. True, they will manufacture 476,000 television sets, but only 247,000 of them will be color sets. In the "age of color," we are the superpower of black and white television set production. The gaps in the stores are only partially filled by the portable types Manes and Ales Color, of which the Prague factory Tesla Strasnice is to produce 24 thousand. Thus the sad fact is that to own a domestically produced color television set will remain an unattainable dream for many people.

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CSO: 2400/251

FACTORY WORKERS ON PZPR ORGANIZATIONS IN WORKPLACE

Warsaw PRZEGLAD TYGODNIOWY in Polish No 9, 1 Mar 87 p 3

[Roundtable interview with ZELMOT workers by Janusz Z. Kwiatkowski in cooperation with Tomasz Sienkiewicz]

[Text] Discussions on the role of POP's [Basic Party Organizations] in the sociopolitical and economic life of the country are going on currently in all of Poland. We did not want to make arrangements for yet another, additional one or to record any one of those whose outcome will undoubtedly reach the participants of the Fourth PZPR Central Committee Plenum through intraparty channels.

On the obvious assumption that the activity of the party is observed by all of society and its consequences are equally generally felt, we have invited both party members as well as one person with no party affiliation to take part in our discussion. We chose the workers of one enterprise, ZELMOT Motorized Electrotechnology Plants, so that they would discuss issues which they know equally well and refer to common experiences. The following took part in the discussion: Edward Orlinski (age 48)--director of the Machinery, Equipment and Tool Operation Supervisory Section; first secretary of the Operation Maintenance Service POP; and PZPR member since 1967. Ryszard Krawczyk (age 55)--jig borer operator; past vice-chairman of the Workers Council; past chairman of KZ NSZZ "Solidarity"; no party affiliation. Jerzy Szczepaniuk (age 45)--Plant Fire Brigade worker; secretary of the ZELMOT Workers Trade Union board; PZPR member since 1964.

In selecting a plant, we did not look for something very typical nor an example to follow. ZELMOT is an enterprise that in the words of its workers "manages on its own" although without brilliant accomplishments. The party organization is favorably evaluated by the supreme echelons.

The discussion presents, let us hope, a certain picture of POP activity in the production plant; it shows the problems that have to be dealt with and how those without party affiliation view POP work. However, the discussion cannot serve, in accordance with the assumptions, the formation of generalizing thoughts.

[PRZEGLAD TYGODNIOWY] We are going to discuss the basic party organizations in production plants. Let us, therefore, begin with a fundamental question

which until recently prompted strong feelings: Is the party necessary in the workplace?

[Edward Orlinski] At our institution, we did not hear voices to the effect that the party should be eliminated from the workplace. If such a view could be encountered at all, it was the result of poor work by party members or rather pseudomembers many of whom fell off at the last turn. We are happy about this.

[Jerzy Szczepaniuk] At that time, I was a member of the KZ Executive Board. I feel that the blame for bad party work during the 1970's was borne by the central authorities--people who shut themselves in their offices and felt that they were the smartest. Perhaps it was our fault that we did not always have as much courage as we do now when very frequently a person stands up and expresses what he feels. At that time all we did was simply applaud. Currently, party activists have the courage to raise many issues which we, union members, are incapable of settling. Perhaps they have greater influence and experience? Those who wanted to eliminate the party from the workplace were perhaps following the example of bourgeois parties. Their programs do not have their origins in the workplace. However, I cannot imagine how our party could influence the nation's economic policy without being in the workplace. Those who wanted to take out the party from the workplace wanted to deprive it of its roots.

[E. Orlinski] It seems to me that in order to function effectively, the party must know the environment in which it works. That is why contact between the "bottom" and the "top"; i.e., between the POP's and the KC [Central Committee] is so important. We listen to people's sorrows and grudges because our colleagues have confidence in us. We have the opportunity to relay these comments at meetings and conferences. What is of importance is that they be conveyed accurately and that the postulates of the work forces be implemented properly.

[PRZEGLAD TYGODNIOWY] And are they conveyed and implemented?

[J. Szczepaniuk] We often turn out to be very insignificant. Two years ago, a so-called economic workshop was held in our plant. Among others, the director of "Ursus" attended it. He reminded everyone that there are 15,000 of them and implied that their voice will always be important. We are only 1,500 strong and it seems to me that "at the top" our voice may perhaps be heard but it is not taken into consideration. Attention will always be paid to "Ursus," the "Katowice" Steel Mills, Starachowice, the FSO [Automobile Factory], "Warszawa" Steelworks, and not to us even though we may be right.

[E. Orlinski] Small plants such as ours have big problems. We are a cooperative enterprise and we do what the producers of final products, who most often have the position of monopolists on the market, tell us to do.

[J. Szczepaniuk] Those plants that are directly "subordinate to the KC" have a much easier life. Their voice is heard there and they are invited to participate in discussions. We have to take a roundabout way: the KD [City Section Committee], the KW [Provincial Committee] and only then the KC. I have heard

with my own ears how our representatives often argue in the KD; how they present comments and proposals. Sometimes they have the chance to do this in the KW but we do not know how far our voices are heard, what happens to our proposals after that and we do not know the reaction to them.

[Ryszard Krawczyk] Well, then why do we talk about our problems if those above us do not want to listen?

[PREZEGLAD TYGODNIOWY] What, for example, did you bring up to the authorities?

[E. Orlinski] We have, for example, problems with cadres. Young people simply do not come to work to our plant. And in order to train a young kid after vocational school to be an independent skilled worker, it is necessary to devote at least 10 years. We have discussed this at party meetings, it has been recorded in a resolution and we have presented the proposal to the KD to resolve this issue on a city section scale and to transmit the proposal to the KW so that they too would take interest in this but on a provincial scale. We proposed that operation maintenance services be exempt for a certain period from tax on above standard emoluments. This would permit us to raise wages and to encourage young people to come to work for us.

[PRZEGLAD TYGODNIOWY] The solution proposed by you is quite typical. Everyone is experiencing cadre shortages and everyone sees only one remedy: increasing wages.

[R. Krawczyk] We are talking about cadre shortages in the workplace. But what about all the drunkards, do-nothings and people who do not contribute to our good name? We are afraid to dismiss them because there is a shortage of workers. However, sometimes they do more harm than their work is worth. I saw once how one worker drove into some coils with a transport cart. He damaged the whole thing and that's that. Someone like that should stand in front of the plant waiting for work. Work is only for those who care about it and respect it. Today, however, those who do their job well do not live any better than those who "loaf around" on the job.

[PRZEGLAD TYGODNIOWY] Thus, you are for a broad wage span? But what about fairness understood in a rather specific manner: i.e., fairness is equality?

[E. Orlinski] We have no problem with that in our plant. We do piecework and those who do not work do not get paid. Those working in the operation maintenance services get paid by the daily tasks performed and there are incentive bonuses. Whoever loafes around does not take advantage of bonuses. Representatives of the party, of self-government, and of trade unions participate in the distribution of bonuses and no one is slighted.

[J. Szczepaniuk] We are always chasing after the cost of living. Probably in the majority of plants in Poland, wages have become social subsidies and have lost their motivational functions. The annual price increases have resulted in that now workers come to the manager as early as in the beginning of the year requesting that their wages be increased since price increases are planned. I understand that the Center does not want to have "hot" money on such a poorly

supplied market. That is why it has introduced the PFAZ [State Vocational Activation Fund] and now this tax on above standard emoluments. However, if this tax did not exist, the plant would undoubtedly be able to better reward the skilled worker who is particularly valuable to it. I feel that the state takes too much of our money.

[R. Krawczyk] I believe that we are being cheated and that we cheat, too. It should not be this way. Prices are going up constantly. We, too, exploit our work in every way possible, not always honestly, and I can say the same about myself. But I will not walk around on an empty stomach. I want to work and earn honestly. I do not want to steal. I only want to have proper living conditions. However, such conditions have to be created and someone has to pay the people for such work. Otherwise, why should I work more and better than someone else when I won't have anything to show for it? Thus, there is a levelling in a downward direction and it should not be this way.

[J. Szczepaniuk] The manager has a limited amount of money set aside for bonuses. Sometimes he would like to give a little more to a good worker but he also has to give to the worst one.

[R. Krawczyk] So that he won't slow down.

[J. Szczepaniuk] So that he won't slow down. Well, yes. And perhaps this raise will help him improve.

[PRZEGLAD TYGODNIOWY] Are we not beginning to lose sight of the party a little bit in this discussion?

[J. Szczepaniuk] Through its political activity, the party lives the life of the plant. And although it should perhaps work more politically, conditions force it to occupy itself with the economy.

[E. Orlinski] Nothing that we have already talked about takes place without the participation of the party. We discuss all this at POP meetings and KZ sessions. We also hold open party meetings. However, our colleagues from outside the organization do not always attend them. Of course, when there is an interesting topic, e.g., wages attendance goes up. But when there is some other topic, then less people come. The party is concerned about plant matters. We are interested in that which is good and also that which is bad. However, we cannot always eliminate that which is bad although we try.

[J. Szczepaniuk] These are no longer the 1950's when the party secretary would call in the director.

[R. Krawczyk] That was not so bad. At that time, I worked at another plant with six other lathe hands. We were paid from a so-called personal classification and quota fulfillment group. A "calculator" introduced "innovations": from now on we would be paid differently. The same work in several groups. In this way, each of the lathe hands would receive considerably lower pay for the same work. We submitted our resignation papers. The director and party secretary came, acknowledged that we were right and dismissed the calculator immediately. The matter was solved within 15 minutes. If such a party would exist today, who knows if I would not sign up.

[PRZEGLAD TYGODNIOWY] Therefore, we shall try to define what the leading role of the party is in the workplace, especially since we have the reform, the 3 "S" and self-government as well as independent trade unions. How can all of this be reconciled?

[J. Szczepaniuk] The party plays a leading role through its members in these organizations.

[E. Orlinski] And that is the way it is at our plant. But perhaps it would be better if our colleague, who is not a party member, would express himself on this subject.

[R. Krawczyk] Above all, party members must have personal influence. If they will be shining examples of skilled workmen and, in addition, find the time for community activity they will influence others. If they manage to surround the young workers with care, interest them and inspire in them the feeling that they have friends at work, then these people will remain with them and will join the party.

[E. Orlinski] I agree with you totally but I would like to add to your remark. There was a period when many people left the party--both good comrades and those about whom it may be said: it's a good thing they left. Because, as you have already said, people will join a party where there are people of strong influence. As far as the leading role of the party, the administration is, for example, preparing a production draft plan. And it is the party's task to supervise this plan from time to time. That is being done. Another matter is the giving out of recommendations to candidates for various managerial posts--both party members and those not affiliated with any party.

[R. Krawczyk] There was one fellow working here, the name is not important, who belonged to everything: to the party, to trade unions, to ORMO [Workers Detachment of Citizens Militia], and he stole. He was thrown out of the plant but not the party. I would like to know why not?

[E. Orlinski] We issued him a party reprimand and crossed him off the party membership list when he did not report for a transfer.

[R. Krwaczyk] I have another example. There was this young fellow who now works in a privately owned store. When there were coins with the Pope in our plant he raised an uproar that we had started drawing lots without the member of the executive board. Later on, during elections, the party wrote him a letter and he did not show up.

[E. Orlinski] Well, that is true, we had problems like this, too.

[PRZEGLAD TYGODNIOWY] Let us, however, return to the leading role of the party. What is it based on? Comrade Szczepaniuk said that it is carried out by people in organizations. But what does this mean precisely? That the party obligates them to take a specific stand on issues that unions or self-governments have to review?

[E. Orlinski] Above all, we do not even try to exert any kind of pressure on the selection of party members to the governing boards of the particular organizations.

[R. Krawczyk] Excuse me, I will give an example. I was on a commission that was to select a worker to represent the plant's 40th anniversary. Even though I am not a party member, I voted for a party member because I know and respect him. However, in the next election for a nonparty candidate, our colleague representing the executive board in the commission said that he would not vote because he must support party members. I cannot agree with this kind of attitude.

[J. Szczepaniuk] I will give an example from my union activity. Unfortunately, even though I am a party member I cannot conform to the resolutions of our executive board. I can discuss with the executive board the subject of union activity or our problems but not listen to their recommendations. I have always said that as long as I am in the union leadership, union matters will always be the most important to me. However, if I read in some resolution of the executive board or meeting that I should involve myself with the social issues of the work force, it turns out that I automatically execute this resolution.

[PRZEGLAD TYGODNIOWY] This is a rather perfidious thesis that "as a union activist I will implement the party line only when this line will suit the union."

[J. Szczepaniuk] The party program has to be implemented and I do not feel that I am not implementing it.

[E. Orlinski] It seems to me that we should talk about not only the leading but also the serving role of the party. However, something else is important. Regardless of whether one is active in the party, in self-government or in trade unions, our goal is one: the good of the plant and the work force. That is why, meddling in the work of self-governments or trade unions is not of importance here. The participation of party members in these organizations enables better information. It is relayed at party and union meetings. I am also a union activist. However, the present union chairman is not a party member. Let us also take self-government. Elections to self-government are always a plebiscite of popularity. During previous elections, party members found themselves in the last three places on the electoral list. Naturally, they did not make it. Two years have passed and our members have "recovered" during recent elections. I myself am a delegate to the plant conference.

[R. Krawczyk] We should take a look at why this is. If someone stands aside and does not meddle in anything, he will always have the most votes. I once saw a die cast thrown out into the garbage. Sure it was scrap but it should have gone into the steel mill for processing. I called attention to this and there are five of them working there including two party members and two union members. Didn't they see it? But such behavior on my part will not increase my popularity. These are minor things but life is made up of them.

[J. Szczepaniuk] It is always the case that he who is active, even if he should help 10 others, will offend at least 2.

[PRZEGLAD TYGODNIOWY] Let us change the subject. We often hear about the necessity of overcoming past grudges. On a national scale this is, above all, a political matter. On a plant scale, especially a small plant--as you have already emphasized several times--where nearly everyone knows each other, this takes on a different dimension; i.e., of personal prejudice, friction and controversy. Do they also exist in your plant?

[J. Szczepaniuk] There was a period in our plant when many of those not belonging to the party were not sure whether to take up social activity. They felt that everything was dominated by the party. But today we have many non-party activists in self-government and in trade unions. Their activity is testimony of the overcoming of barriers.

[E. Orlinski] I went through this critical period in the plant because I have been working here for many years and I feel that we have not had such prejudices here. It was quiet during the entire 1980-1981 period. We even lost out because of this because there were no strikes, production did not decrease and we entered the reform with an overly high production level. Those whose production collapsed lucked out.

[R. Krawczyk] At that time, I was the chairman of "Solidarity." It was hard. We bargained but we did not argue. We did not try to undermine each other but to move forward together. Other plants had troubles and we had troubles but we managed to handle everything on our own. There was no situation that we were not able to handle.

[E. Orlinski] That's right.

[R. Krawczyk] And how surprised the director was once when we came to him with the party secretary to take care of a matter. "What is this," asked the director, "'Solidarity' together with the party?" This had to do with the good of the plant; with certain abuses of work efficiency. We resented the fact that someone was drinking [on the job], that someone was stealing but not that someone was or was not a party member.

[J. Szczepaniuk] Martial law had some impact here. At that time, I was a party activist and everyone knew about it. Therefore, some people stopped shaking my hand. There were several such persons. But later, after a few of my appearances at the workers council, one of them came up to me and said, "Hi! Jurek." This meant that the ice had been broken.

9853/12859
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PRIMATE GLEMP INTERVIEWED IN NORWAY

Oslo AFTENPOSTEN in Norwegian 12 May 87 p 9

[Article by Stein Savik]

[Text] "I am very much intent on strengthening the ecumenical contacts between our Churches," says the head of the Polish Catholic Church, Cardinal Jozef Glemp prior to his visit to Norway. The Cardinal, who will arrive in Norway tomorrow, says in this interview with AFTENPOSTEN's correspondent Stein Savik that he attaches great importance to the humanitarian assistance that the Norwegian people has given to the Poles. During his visit, Cardinal Glemp will meet with, among others, King Olav and Prime Minister Gro Harlem Brundtland. In addition to Oslo he will visit Narvik, Bergen, Stavanger, Florø/Førde and Beitostølen.

The head of the Polish Catholic Church, Cardinal Jozef Glemp, says that the aggressiveness of the Communists against the Church has decreased. This rapprochement means that Communism is becoming more humane, he points out.

The Polish Primate regards the interview with LITERATURNAJA GASETA--the first interview with Cardinal Glemp in the Soviet press--as a major step toward openness under Mikhail Gorbachev.

According to Glemp, the "national reconciliation" after the state of emergency in Poland is a long process, but considerable progress has been made since 1982. Cardinal Glemp believes that the time will come when Catholics may participate in the political and economic life in accordance with their philosophy of life. The supporters of Solidarity, too, have the same right to participate.

Creating Hope

The upcoming third visit of the Polish-born Pope to his homeland will create hopes among the Poles "that they will soon be able to stand on their own feet." Cardinal Glemp regards the establishment of diplomatic relations between Warsaw and the Vatikan as "a real possibility." He also believes that a certain agreement on the legal status of the Polish Catholic Church--as the first one in Eastern Europe--may be achieved prior to the visit of the Pope in June.

"My visit to Norway is of both a "human and ecumenical nature," says Glemp. "In the human area, I shall place the main emphasis on the humanitarian aid granted the Poles by the Norwegian people during the serious crisis.

Aid Continuing

This aid still continues, especially with medications. I recently visited a hospital in Otwock, where I was reminded that they had received great aid from Norway. People thus remember that they first and foremost have to give thanks."

[Question] Is it to be expected that the contacts between the Polish Catholic Church and the Norwegian Church may be strengthened on a more permanent basis as a result of your visit? May it also be regarded as a contribution to the ecumenical efforts in general?

[Answer] I am very intent on strengthening the ecumenical contacts between our Churches. But to make these contacts more productive, we have to get to know one another. I must admit that my knowledge of the Scandinavian Churches is much too limited. But I am convinced that Christianity to a very considerable extent has contributed to creating the mentality and culture of the Norwegians--openness toward their fellow human beings, a sense of order, industriousness and honesty.

[Question] The Polish people is called "Europe's most Catholic nation." How do you explain the strong position of the Church?

[Answer] I do not like that the Church is merely referred to in superlatives. For it is not clear what criteria such statements are based upon. Is Poland referred to as the most Catholic nation for the mere reason that it has the largest number of Christened people or is the yardstick the number of believing and practicing Christians? But one fact may be described as correct: The belief in Christ has been deeply rooted in the nation for more than a thousand years. The Church has been loyal to the people in good and bad times. More than 3,000 priests lost their lives during World War II and are a reminder that the hierarchy of the Church has shared the fate of the people.

Great Liberty

In answer to the question whether he is happy about the possibilities for practicing religion in Poland, Cardinal Glemp points out that the Polish Church has achieved the highest degree of freedom among the nations in Eastern Europe. "We have no difficulties in providing children and young people with instruction in religion, and the training at the seminaries is not subject to any state control. We are able to organize mass ceremonies in public places, tens of thousands of pilgrimages. There are shortcomings in the area of the media. Shortages of paper supplies limit the editions, but our publications are not suspended. Nor do we have any Church organizations, that is one of the questions that have to be solved within the area of the legal status of the church. But there is much energy in ecclesiastical life.

Outside Politics

[Question] The Polish Catholic Church states as one of its principles not to participate in politics. Another principle is that its feels responsible for the fate of the nation, as well as the moral and social values of the country. Viewed from the outside, it is difficult drawing a dividing line here. What is the basis for the relationship between the State and the Church in Poland and what are the most important problems?

[Answer] The Church does not participate actively in politics in the sense that it does not support the program of any particular political group, nor does it prepare its own political program. But the Church is active in its religious work, which may have a socio-political dimension. Religious measures arranged by the Church may be socially important and therefore influence politics. It may be said that the Church influences politics in an indirect manner.

Two Ideologies

[Question] What is your model for the relationship with the State--are you content with the present situation?

[Answer] It is difficult to say what the model is, since we do not have a pattern to go by. We are in the process of seeking a pattern. Agreements that may be arranged with the State will create some kind of model. But the difficulty is that the State continues having its Marxist ideology, that is, materialism, while the Church has its faith, the Gospel. There can be no agreement between the two ideologies.

In the national and economic life, we must seek ways that will make it possible for Catholics--with the sanction of the Church and the Party--to work in accordance with their conscience without being fought. I believe that something along these lines will happen under socialism.

National Reconciliation

[Question] The crisis in Poland seems to have diminished in various areas, but internal disunion continues. The Church advocates a genuine national reconciliation. What are the chances of achieving this after the release of the political prisoners?

[Answer] The national reconciliation is a long process. The progress is undoubtedly considerable--it is sufficient to compare 1982 with 1987. We are not aiming at an ideal reconciliation. It is after all a reconciliation that there are different opinions but that people at the same time understand what is for the common good.

Catholics in Politics

[Question] The Church has repeatedly stressed that pluralism is necessary in the public life, and as late as in March of this year it stated that "competent

representatives of the people" ought to participate in the preparation of a reliable economic reform. What can the Church do to bring about a national understanding, which will include a cooperation with many undoubtedly competent representatives of the now banned Solidarity?

[Answer] By pluralism we understand that people with a Catholic philosophy of life may become involved in state bodies. These already exist, something has started happening in this area. We have authentic Catholics in the Sejm (the national assembly), at least some, and there are also some in the consultative council. This process ought to continue.

[Question] What about Solidarity?

[Answer] If people associated with the Church may be included in the structures of the State--that is to say, persons with different opinions--the same thing also applies to others. I cannot talk about Solidarity because Solidarity may mean Catholics, Orthodox, or even atheists. But they too ought to have the same right to participate. Of course, if Solidarity regards itself as part of the Opposition, everything will depend on the program of the Opposition. But the Church cannot become involved in programs.

[Question] In their communique in connection with the visit of the Pope to Poland, the Catholic bishops have requested the believers to react against "all forms of violations or restrictions of the rights of the individual." What worries the Church the most when it comes to the question of human rights in Poland?

[Answer] We have got the possibility of protest. We protest by forwarding statements and letters of complaints we receive to the responsible departments, the prime minister or the Sejm. When injustices have been committed, when human worth has been violated, we condemn the injustices. We defend the human rights, at least in that way. In addition, we seek to analyze the draft bills, so that we may present our critical comments, which will subsequently be considered by the Sejm committees. We have no other possibilities than to draw the attention to the violations, demand that the rights be respected, and use our limited influence when laws are made.

Less Hostility

The Cardinal here adds:

"I should like to revert to the relationship between the State and the Church. A normalization of this relationship may take place when the communist ideology limits its aggressiveness. And we note that the same hostility that existed previously does not exist today. The fact that people get closer to one another therefore means that communism is made more humane."

[Question] Is the fact that LITERATURNAJA GAZETA published an interview with you part of the same process?

[Answer] Yes, this fact cannot be underestimated. I believe that it is a very important event that the Soviet reader may get to know something about

our Church. I consider it a major step toward openness in the Soviet Union.

Cautious Church Leader in Key Role

"It may be said that the Catholic Church of Poland influences the politics indirectly."

This statement was made by Cardinal Jozef Glemp in the interview with AFTEN-POSTEN and is most characteristic of Poland's highest ranking clergyman. The leader of a Church with a unique position in a Communist-governed country--and with nearly 90 percent of the population among its followers--is a cautious, gentle man. Only in the execution of his clerical duties does Glemp wish to stand in the foreground. As one of the key persons in the political development, where the Church must necessarily be a factor of power, he is marked by reserve and discretion.

Heavy Burdens

That is also understandable. In the dramatic history of Poland, where the Catholic Church has always been on the side of the nation, few men in the highest office have been given as heavy burdens as Jozef Glemp. Only 6 months after he succeeded his legendary predecessor, Stefan Wyszynski, was the tri-lateral dialogue between Jaruzelski, Glemp and Walesa interrupted with brutal force. The state of emergency in 1981 and the ban against Solidarity made the Church the only rallying point for the disillusioned majority of the people.

Dilemma

Glemp's dilemma was big. The support of the people gave the Church a secular power which it did not use for an open confrontation with the regime. To the Church, a bloody showdown in the country, probably followed by a Soviet invasion appeared as the worst disaster that might befall Poland. The alternative was a forced truce with Jaruzelski, the only possibility of influencing developments. With the support of the Polish-born Pope, Glemp carried through this line, using the position of the Church to exert pressure for the release of political prisoners, to oppose human rights violations, as well as to demand a genuine "national reconciliation," which also comprises representatives of the majority of the people.

It was a balance that brought the new Primate criticism from his own ranks as well as unfavorable comparisons with Wyszynski, "the firm rock." But in the meantime, Glemp has emerged from the shadow of his predecessor. The modus vivendi of the Church with the Communist state power--according to Glemp, "two ideologies which are incompatible--is not based on compliance. The Church proves its independence and perseverance. Not merely by being a sanctuary for free opinions. It also raises its voice each time it finds that actions by the government harm the population--as, for example, the most recent price increases and the economic reform, which were carried through at the cost of the standard of living. Under the leadership of Glemp, the Church defends pluralism within the society, where also the supporters of Solidarity a given a chance in the political life.

Forced Labor

The now 58-year-old Primate was born in Innowroclaw in central Poland, the son of a salt mine worker. He was 9 years old when the Germans occupied Poland, and as a 10-year-old boy he was sent to perform forced labor in agriculture.

In 1950 Glemp was admitted to the seminary in Gniezno, the historical center of the Polish Catholic Church. After completing his education and working for 2 years as a priest, he was sent to Rome to undertake special studies.

Central Position

Glemp returned to Poland with a doctorate in both canon law and civil law, and in 1967 he was appointed secretary to Cardinal Wyszynski. Twelve years in this central position provided him with the important experience that made him suitable for the highest office in the hierarchy. In 1979, Glemp was appointed bishop by the Pope in the Warmia diocese. It is said that prior to his death, Wyszynski expressed the wish that Glemp become his successor in the competition with other and better known candidates.

7262

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HIGH SCHOOL ENTRY, EXIT PROFILE CHANGES

Poznan GAZETA POZNANSKA in Polish 10 Mar 87 pp 1, 3

[Article by [atom]: "Time of Lifetime Decisions -- New Profiles in the Secondary Schools -- Interesting Specializations in the Technical Schools"]

[Text] Indeed, there was still almost another four months until the end of the school year but the pupils of the last grades of primary schools were already now making lifetime decisions about what they were going to study and where. The choice of a profession will be the correct one and give satisfaction in the future if it considers the child's interests and abilities. But if the choice is made under the influence of fashion or its temporary attraction and with no regard for the child's possibilities, then the child will have problems finishing school and look at his future work as a sad necessity.

There are paces in secondary schools for all teenagers finishing primary school. The most capable pupils enter general education secondary schools which have reserved places for 20 percent of the graduates of the 8th grade.

Aside from general education, biological, chemical and humanities courses, for the first time, there will also be pedagogical courses. The pupils that take these courses will be introduced to basic psychology and pedagogy and will teach in preschools and primary schools while serving as teacher assistants. The first pedagogical classes will be introduced at 6 secondary schools in Poznan: II, IV, VI, IX and X.

Starting with the 1987-88 school year, the reformed program will be obligatory for all schools. In all of the general education schools, there will be held what is referred to as pupil practice and youth will furthermore benefit from various types of supplementary activities.

Innovations are also being proposed by other types of secondary schools which in reaction to the economy's changing needs will introduce ever-more attractive professions to their programs. At the Power and Energy Technical School on Ulica Dabrowskiego in Poznan, pupils will be able as of September to

study digital systems and the service of electronic machinery. At the Mechanical and Electrical Engineering School in Wrzesnia, there will be introduced a new specialization called electronic equipment. Meanwhile, pupils in Poznan will be able to learn about refrigeration equipment at the Mechanical Engineering Technical School on Ulica Jawornicka, hospital hygienics at the Principal Medical School on Ulica Szamarzewskiego and industrial shoe-making at the Vocational Technical School on Ulica Rozana.

Still one more word about graduates -- this year's graduation requirements have not been changed but starting with next year, all last grades of secondary schools will introduce a required course on comparative religions that as up to now been taught in only half of the province's schools.

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SCHOOL CURRICULUM 'THINNED,' CHANGES NOTED

Gdansk GLOS WYBRZEZA in Polish 26 Feb 87 pp 1, 2

[Article by [ja]: "A Lighter Pupil Load As of September -- Cuts in the Teaching Program -- Additional Required Subjects and Practice Training -- Slimming Down the Bookbags"]

[Text] The Ministry of Education's announced "slimming down" of its school programs has now become a fact. Ambitions to cramming children with extensive teaching programs must now give way to a more prudent approach. Teachers and curators bombarded the ministry with appeals to return education to reasonable bounds. A first-grade teacher who spends 22 hours a week at the school is not in any way more educated than her colleague who spends 18 hours a week teaching. However, the former is almost certainly very tired.

The education ministry therefore went after the problem in a very energetic manner. The Institute of School programs is working on a comprehensive "thinning down" of the range of knowledge that the pupils of primary and secondary schools are expected to have. Immediate cuts have already been made and as of September, pupils will set out for school with lighter bookbags. School curatoria received particular cuts in their programs as early as March and the teachers will be able to become acquainted with them. Some subjects are being eliminated from the primary schools while others are being transferred to the list of electives to be taught at the teacher's discretion.

The greatest changes will apply to education beyond the primary level. In the first classes, there will be new teaching programs for the Russian language and physics (in all types of schools) and for the English language (in technical schools and secondary trade schools). In the second grades of secondary schools, the new programs will concern almost all subjects, especially those taught in general education secondary schools. However, at the same time, the pupils of schools beyond the primary level must choose an elective subject which may or not receive credit but will also not affect the pupil's advancement to the next grade. It is worth quoting the education ministry's statement that we must create the conditions by which pupils can make a real choice.

Perhaps the pupil's load will be somewhat alleviated by the fact that the ministry has ordered regional school authorities to organize education in such a manner that the amount and quality of homework will be reduced.

The next innovation that may serve to introduce pupils to the world of work is the introduction in September of this year of obligatory work practice in the 6th, 7th and 8th grades of primary school and the first grade of secondary school. Practice work will also be graded for credit and not affect promotion to the next grade level. How well organized the practice work (two hours a week) will be depend largely on the schools and this too will give the pupils a completely free choice of work. It will be easiest for the secondary schools that introduce pedagogical classes (a novelty!) at the start of the new school year to get out of this because the pupil practice work can be carried out right in the school.

Everyone will certainly be interested by the education ministry's decision about the date of winter vacation. This year, the vacation will be a typical holiday break from 24 December 1987 to 9 January 1988.

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POLAND

POLITICAL

ACADEMIC ADMISSION CHANGES CONCERN WITH LOCAL YOUTH

Warsaw DZIENNIK LUDOWY in Polish 24 Mar 87 p 4

[Interview with Jan Marianski, director of the Department of Pedagogical Studies of the Ministry of Science and Higher Education by Stanislaw Sewastianowicz: "Without Points for Social Background"]

[Text] On 7 July, the entrance examinations for higher schools begin. We discussed several principles of the new regulations on admission to higher schools with Jan Marianski, director of the Department of Pedagogical Studies of the Ministry of Science and Higher Education.

[Question] At the end of last year, the minister of science and higher education signed a decree on the new principles of admission to higher education. How much do they differ from the old ones?

[Answer] I would not call that a new but rather a modified system of recruitment. The basic principles have been preserved and the system still continues to guarantee the best-prepared candidates an opportunity to study.

A candidate's fitness is determined on the basis of a qualifications procedure comprising three main elements. The first considers the average grades a candidate received in 8 subjects studied in secondary school. The second is the opinions about the candidate given by his or her secondary school, place of employment or military unit (equal to 5 points) and the last is a qualifications interview (worth 5 points).

The basic element of the procedure is the entrance examination for which a candidate can receive a maximum of 70 points out of a total number of 100 for all elements of the procedure.

[Question] Is there any chance that the percentage of peasant youth in the higher schools can increase if their entrance is determined by how well they do on entrance examinations?

[Answer] This chiefly depends on how many of them take the examinations. In the schools of the Ministry of Science and Higher Education, candidates from rural areas have made up barely 8 percent of applicants over the last few years. By the same token, 8 percent of the students are also peasants.

Therefore, too few candidates are applying to higher schools. One might wonder why this is so. One reason is that more than in any other social group, there is a lack of motivation in rural areas to gain a higher education. Another important reason is the fact that they have attended secondary schools which operate under worse conditions than the rural schools.

It is hard to say whether this system will encourage rural youth to study but I think that no real changes will take place.

[Question] Do the modified principles give any preference to rural youth?

[Answer] The privileges established years ago have been preserved. Namely, in agricultural academies and higher pedagogical schools and teacher-training courses in universities and other higher schools, we still follow the principle that youth of rural and small-town origin are admitted on the basis of the entrance examination without any further qualifications procedures.

[Question] Why is that done in these particular areas of study?

[Answer] We considered the scarcity in rural areas of personnel with higher educations. This will make it possible for youth studying these subjects to return to the rural areas and find work there.

[Question] Let us return to the subject of preferences. The decree mentions a 20-percent reserve of places left open for the school recruitment commissions.

[Answer] There are 8 groups of preferred candidates that can apply to study under this 20-percent reserve. I must add that these preferences were also applied under the previous recruitment system. Youth from working-class and peasant families, orphans, wards of children's homes, youth that have already been employed for a minimum of 8 months and candidates that have fulfilled military service are the privileged categories.

The present recruitment system does not automatically award points for social background. Preferences are given those candidates that receive high grades on their entrance examinations. If two candidates receive the same grade, then the first chance of admission is given the candidate from one of the preferred groups and social background is therefore considered if the son of a white-collar family and the son of a peasant receive the same grade on the entrance examination.

[Question] For several years, the ministry has organized preparatory courses for candidates for higher schools. What do you think of them?

[Answer] We have held preparatory courses for three years. I think that we have succeeded in overcoming many barriers and imperfections. Last year, most of the course participants passed their entrance examinations. It has also been a success that 40 percent of those taking the preparatory courses were working-class and peasant youth.

However, there are still many shortcomings that are criticized by the public and the youth that attend these courses. Nevertheless, these courses are helpful if the candidates make good use of them. Some rectors feel that some candidates regard them as a free vacation in the city. It would be good if those who take these courses were correctly chosen while they are still in secondary school.

[Question] We also hear it said that these courses do not give candidates anything because their program far exceeds anything learned in school.

[Answer] We cannot regard these courses as the sole source of the knowledge needed to successfully pass an entrance examination. They help candidates but nothing can replace hard study in secondary school and independent work. They also provide an opportunity to get acquainted with the atmosphere of a higher school and have some contact with academic instructors. They allow candidates to overcome many of the psychological barriers faced by youth from small towns when they take their examinations.

[Question] Will preparatory courses also be organized this year?

[Answer] Yes. This year, however, we want them to last for no less than two weeks and most of them will be three-week courses. For that reason, the entrance examinations for higher schools are scheduled for 7 July.

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ADDITIONAL COST TOWARD ACADEMIC DIPLOMA DESCRIBED

Warsaw POLITYKA in Polish No 18, 2 May 87 p 10

[Article by Leszek Tomaszewski: "Private Lessons -- The Price of a Course Registration Book"]

[Text] The prices for private lessons go up every year before the entrance examinations for higher schools.

One department at a higher technical and science school in Warsaw has for several years been conducting an anonymous poll of newly-accepted students. Some of the questions concern the costs involved in gaining admission. Half of the 79 new students admitted this year used various forms of additional help such as courses and private lessons. In 1983 and 1984, the number of respondents who had received such assistance jumped 35 percent. Did they feel the need for extra lessons. One-third of the respondents receiving extra lessons which amounts to one-sixth of all students admitted received only private lessons. Three respondents used both courses and private lessons and the remainder had courses.

How long does extra study last? The answers ranged from a month (three persons) to 12 months (also three persons). For 13 respondents, the process lasted 8-9 months. The remainder studied for varying periods of two, three and 6 months. The average period of study preparation for examinations was about 5 months.

How much do extra lessons cost? The record was set by a candidate who spent 200,000 zlotys. He came from near Warsaw from what he called a middle-class white-collar background. He had previously applied to another faculty with better social prestige. There too, he received preparatory courses and private lessons for a period of 9 months. Other respondents declared costs of 100,000, 95,000, 80,000 and 77,000 zlotys. Two respondents claimed "very large" expenses, two stated that they had spent 45,000 and 40,000 zlotys while two more claimed 25,000 and another spent 20,000 zlotys. The rest spent something in the area of 10,000 zlotys. In the 1983-84 academic year, the

maximum expenditure for preparations was 14,000 zlotys. That rose to 30,000 the next year and in 1986, it jumped to 100,000 zlotys.

How much did one hour of private lessons cost? This is characterized by enormous range and a constant rise. From token fees of 50 and 100 zlotys per hour (the total expenses of these candidates were between 1000 and 7000 zlotys) to 1000 zlotys per hour (several respondents paid that!). Other prices mentioned were 400, 500, 650, 700 and 800 zlotys per hour which gives an average of about 750. The responses given on these polls coincide in full with information provided by tutors to A. Romaszewski in his article "Laughter in the Phone" (POLITYKA, 42/86). In 1983-84, the average cost per hour for private lessons was 250 zlotys (only one student "overpaid" with 500 zlotys). The next year, the average figure rose to 400 zlotys (only two persons paid 800 zlotys per hour) and after two years, the average was 750 zlotys per hour and in some cases, as much as 1000! That is a threefold increase!

What do the students themselves say about how much the extra lessons help them? Were the lessons necessary, useful and worth the time and money? Twelve respondents felt that the lessons were necessary and only four, including the record-setter, felt that they were a waste of time and money.

Can one avoid these expenses by working harder in secondary school? Almost half of the candidates take their entrance examinations without any special preparation. Among those preparing for the examinations, half of them felt that the preparation is necessary. Nine of 38 candidates felt that they would not pass examinations without special preparation. Similar responses have been obtained from earlier polls.

These are the results of analysis of the costs and student opinions about those costs.

The specter of inflation continues to haunt the unregulated and open market for private lessons which is subject to the same natural laws of supply and demand as the automobile markets. Continuing inflation! The prices are very relative and a potential client who cannot afford to pay what the private teacher demands will look elsewhere. But where? There is almost no competition. If he does find another teacher, it may be for the same price. Costs for private lessons are horrendous.

But they cannot be otherwise!

I look at the matter in an entirely different manner. Considering the price increases for other goods and services, it seems that the costs for mental work such as private lessons are lagging behind free-market prices! Let us just take a look around ourselves. Let us look at what a barber, brickmason, hydraulic engineer or a technician asks for an hour of work. And the little contract price on the market? Any spoken or unspoken postulate for fixed prices on private lessons is unrealistic.

The ratio of the price of mental work to other forms of work is low. In spite of all inflation balancing, that is how it has been and remains.

Prices for mental services are raised according to external conditions and under pressure. The threefold increase in prices for private lessons is still just a poorer reflection of the general trend for self-regulation of the labor market. The comparison to the automobile market is a very apt one.

Candidate preparation for higher studies is a very complex psychological, sociological and economic phenomenon and it involves all of the various motivations and ideas of all partners rationally or irrationally involved in it. For that reason, one can examine it from various points of view. I allowed myself to examine it from an economic point of view which also gave me an insight into the general social relationships that are in turn reflected by the very preparation of candidates for higher education. Society has no isolated phenomena! We must see everything in its broader relationship to everything else.

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EFFICIENCY OF CAPITAL ASSET UTILIZATION EVALUATED

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[Article by Eng Milan Kolarik, Czech Planning Commission and docent Eng Ludmila Vebrova, candidate for doctor of science, Prague Economics College: "Capital Asset Utilization in CSR Industry"]

[Text] The efficient, intensive development of the Czechoslovak economy depends among other things, on improving the utilization of the existing capital stock, and on our success in modernizing and upgrading these assets. Until now our efforts to improve production-related capital assets have been extensive in nature. This is evident in part from the fact that the average annual growth rate of national income, especially in the Sixth and the first 3 years of the Seventh 5-Year Plan, has been substantially lower than the average annual increase in capital equipment. This latter figure was in the 5-6 percent range on an annual basis throughout the above period.

At the end of 1983 the capital assets of the production base of the Czech Socialist Republic [CSR] were valued at Kcs 1.17 trillion, with machinery and equipment accounting for Kcs 483 billion of this amount (constant prices). This represented immense production capacity, that had increased by 87 percent since 1970 and accounted for almost 70 percent of the total production capital assets of the Czechoslovak federation. Some 62 percent of this value was concentrated in industry, 16 percent in agriculture and forestry, 3.5 percent in construction, and 18.5 percent in other production branches.

Since 1970 the largest growth has been in agriculture, where the capital stock has increased by almost a factor of two. The overall value of the capital assets of the industrial branches increased by more than 85 percent, with the greatest increases being recorded by the construction materials industry (more than 130 percent), the woodworking, paper and cellulose industry (more than 124 percent), the fuels industry (a 100-percent increase), machine building and electronics (88 percent), and the chemical, rubber, and foodstuffs industries (80 percent increases).

These increases in capital stocks have resulted in underutilized capacity which, given improved management, may be considered a potential source of economic intensification exploitable prior to the end of the Eighth 5-Year Plan. This is in line with the CPCZ strategy for the economy.

This strategy, as formulated by the 16th CPCZ Congress, established the main goal of the economic policy of the party as "a thorough and comprehensive improvement in the efficiency of economic growth based on the full exploitation of the factors of intensive growth." (Report of Husak to the 16th Congress). We must always bear in mind that there is an integral relationship between intensification and efficiency. Increased production from given (and limited) resources must go hand in hand with the requirement that whatever is produced have a purpose (utility). No society can afford to produce goods at low cost that end up in warehouses, or goods that are in demand, but which must be produced at relatively high cost.

The strategy developed by the 14th Congress, and which was refined by the 15th and 16th Congresses, took the form of a number of tasks formulated at such historic sessions as the CPCZ Central Committee sessions on R&D issues facing the Czechoslovak economy in 1984, the Eighth CPCZ Central Committee Plenary Session on accelerating the practical application of R&D findings in 1983, or the 10th Plenary Session on Issues of Machine Building in 1984.

Specific tasks that resulted from these sessions included arresting a decline in shift work and then increasing shift utilization rates, improving job utilization, speeding up the liquidation of obsolete and inefficient machines, modernizing and upgrading existing capital assets, production facilities, and the like.

When no significant changes had occurred in these areas Husak criticized the situation in a speech at the 17th CPCZ Congress, stating "In comparison with other industrially advanced countries we still suffer from a low utilization rate of our capital stock..." and later, "We must adopt a much more assertive posture on the liquidation of physically and technologically obsolete and nonessential machines and equipment." (Political Report to the 17th CPCZ Congress by the CPCZ Central Committee).

In the remainder of this article we will examine how industrial branches are coping with these basic tasks in efficiency and intensification and to point out the underutilized capacities that exist in this area, thus hopefully creating an opportunity for increasing intensification during the implementation of the Eighth 5-Year Plan.

History and Current Status of CSR Industrial Capital Stock

Aggregate capital asset growth between 1970 and 1983 in CSR industry is indicated by the following annual averages (in percent):

Capital Assets, overall	+ 4.5
composed of:	
machinery and equipment	+ 5.7
capital assets per worker	+ 5.1
of which, machinery and equipment	+ 5.9
labor productivity per worker from gross production	+ 4.4
capital asset efficiency from gross production	- 0.6
of which, machinery efficiency	- 1.3

These aggregate figures document the continuing increase in the capital intensive-ness of production gains and in the value of capital assets per worker. The evolution of the elasticity coefficient between labor productivity (based on gross output) and increases in capital assets per worker indicates that for a given increase in labor productivity 51 percent more capital assets were required in 1970-1983 than in 1960-1970, and 128 percent more machinery assets.

This development is in part a result of the ongoing substitution of machines for humans in the workplace. Production volume is the sum of embodied labor and value added. These may be present in differing ratios, under conditions set by Marx, "Increasing labor productivity means mainly that the share of direct labor declines, and that of embodied labor increases, but in such a way that the total amount of work contained in a given item declines; in other words direct labor declines more than embodied labor increases." (K. Marx, Kapital III/I, State Publishing House for Technical Literature [SNTL], 1955, p 278).

Capital assets, then, may fulfill a substitutive function both in relation to employees and in regard to raw materials and energy consumption. These functions can then be expressed in a simplified manner by figures showing relative savings in employees, materials, and energy costs.

In addition, efficiency has also declined because, since 1970, there has been a gradual increase in social and ecological investments. These have been aggregated, as capital assets, into production capital assets, because they are directly related to production. Direct labor substitution, expressed as relative job reductions, progressed in the 1970-1983 period at a rate about 24 percent faster than in 1960-1970, thus accounting for about 50 percent of the increase in the capital coefficient.

A decline in capital asset efficiency need not have occurred, and in any event did not have to be so significant, if the substitution of direct and embodied labor (the work force and work in progress) had taken place according to the conditions formulated by Karl Marx, or if they had been socially effective (purposeful and well-managed). In our opinion the reason for the decline in the efficiency of capital assets can be found in this area.

Even when we take into account possible price noncompatibility of time series data, and changes in the structure of industry, it is still clear that there was an accumulation of readily exploitable underutilized capacity in this area that could be quickly mobilized. In order to document in detail the potential for utilizing the capital stock of CSR industry by comparing overall development characteristics with other indicators, we list here average annual changes, in percent and by industry group, for the 1970-1983 period. (see next page)

Table 1. Average Annual Changes in Key Capital Asset Indicators, 1970-1983

	Capital assets [total; machinery; other]	Machinery and equipment per worker	Labor productivity based on gross output	Capital asset efficiency (total; machinery)
Fuels industry	+4.9	+6.1	+4.6	+5.9
Power engineering industry	+6.3	+5.5	+4.4	+3.6
Ferrous metallurgy	+3.3	+4.0	+3.7	+4.3
Nonferrous metallurgy	+6.0	+6.7	+5.1	+2.5
Chemical and rubber industry	+4.8	+5.7	+4.4	+2.6
Machine building and electro- technical industry	+5.0	+6.0	+5.6	+6.5
Construction materials	+6.7	+7.4	+7.1	+4.6
Timber processing industry	+8.1	+9.5	+8.2	+5.5
Paper and cellulose industry	+4.6	+5.7	+4.8	+4.3
Glass, ceramics, and porcelain industry	+3.7	+5.1	+4.0	+5.5
Textile industry	+3.8	+4.5	+5.2	+6.1
Clothing industry	+5.4	+7.2	+7.3	+4.6
Leather working industry	+4.8	+6.1	+5.5	+8.8
Printing industry	+6.2	+6.5	+8.0	+7.3
Food industry	+4.7	+5.7	+5.1	+5.9
				+4.7
				+0.9
				-0.4
				-1.3
				-2.1
				-3.8
				-1.7
				-2.8
				-2.9
				-3.1
				-1.9
				-2.9

As this table indicates, the capital requirements for increases in labor productivity for most industrial sectors during this period increased significantly (especially when compared to the 1960-1970 period). Only in exceptional cases were developments positive. For instance, in the fuels industry capital requirements for machinery and equipment increased by a factor of almost 6 in 1970-1983 compared with 1960-1970. For the printing industry the figure was 7.5 times, and in nonferrous metallurgy by a factor of more than 3. The only declines in comparative figures were recorded for the machinery and electrotechnical industry (a decline of 93.6 percent) and the glass, ceramics, and porcelain industry (a decline of 98.6 percent).

Capital assets have replaced workers at differing paces in different branches. In machine building and electrotechnology, woodworking, paper and cellulose, glass and porcelain, and in clothing the intensity of substitution, measured by the number of jobs eliminated, was greater than the capital intensiveness of increased labor productivity. In other branches this relationship was just the opposite, however, with the worst ratios occurring in the fuels, power engineering, and nonferrous metallurgy branches. In the latter instance, one must take into account worsening extraction conditions (for fuels and ore mining).

Overall developments in the area of industrial capital asset efficiency is a product not only of the high growth rate of capital assets but also of their slow rate of liquidation.

Industrial Capital Asset Liquidation, Asset Age Structure and Turnover Period

An ongoing problem in capital asset replacement has been the low rate of liquidation. This causes higher production costs (because of higher operating and maintenance costs), but causes problems for the national economy in other areas as well, such as:

--it retains over the long term the technical composition of the production base, and therefore also the technical sophistication and quality of finished products, labor productivity levels, resulting in a stagnation of the technical sophistication of the industrial capital stock;

--it increases the average age of machines, the relative size of older machine groups, and turnover periods;

--it retains over the long term many jobs which are not utilized effectively, thus binding workers who might otherwise be freed up to improve the utilization of more modern capital assets, or for transfer to new industrial sectors, the production sphere or even the nonproduction sphere;

--it ties up production space which, given reconstruction, modernization and outfitting with new capital equipment, could be used for the startup of new production programs (this in our view is one of the reasons why industrial investment continues to involve large amounts of construction work);

- it causes high levels of downtime due to disruptions and accidents;
- it slows down the turnover of our stock of metals, which in turn increases the overall energy intensiveness of national income formation.

Statistics indicate that since the early 1960s some 1.5-2 percent of the industrial machinery capital stock has been retired from service each year. The figure for the Sixth 5-Year Plan was 1.6 percent, and for the Seventh 5-Year Plan 2 percent. Industries with liquidation levels lower than this average were the paper and cellulose industry (1.7 percent), the chemical and machine building industries (1.7 percent) and the leatherworking industry (1.7 percent). Industries with above average liquidation rates were the fuels industry (3.1 percent), the clothing industry (2.3 percent), the printing industry (2.3 percent) and the construction materials industry (2.8 percent).

The machinery liquidation coefficient (ratio of liquidations to initial capital asset levels) illustrates this unfavorable trend in liquidation levels.

This unfavorable capital asset liquidation rate increases the average age and turnover period for the capital stock, which retards improvements in the technical sophistication of the production base and causes declines in its overall efficiency. This is evident from the following page:

Between 1976 and 1983, for instance, the average age of our machinery capital stock increased from 12.2 to 12.6 years. This increase in average age was true even for industries such as the chemical, electrotechnical, construction materials, textile, leatherworking, and glass, ceramics and porcelain. One manifestation of this is an increase in the percentage of machines over 15 years old. In the chemical industry the percentage of such machines increased from 22 percent to 28 percent of the total, while the figure for the glass, porcelain and ceramics industry increased from 20 to 28 percent. The turnover period for machinery capital assets has also been lengthening. In the construction materials industry, for instance, the turnover period for the machinery capital stock lengthened from 22 to 40 years, in the chemical industry from 20 to 38 years, and in the leatherworking industry from 22 to 38 years. (Even when recognizing that the predictive ability of the turnover period indicator is related to the size of the facility, the above figures still indicate an unfavorable developmental trend.)

Technical Sophistication of Capital Assets

When describing the technical sophistication of capital assets we rely on statistical description that is divided into two classifications: power generation machinery and working machinery. This classification is significant because these two types of machines are critical for determining the quantity and quality of production, production costs, and the labor productivity of blue collar workers.

Table 3. Development of Structure of Machinery Stock and Turnover Period for Industrial Capital Assets

	Average age in years	Percentage of machines more than 15 years old	Average age in years	Percentage of machines more than 15 years old	Turnover period for machinery capital assets (in years) 08-75	Turnover period for machinery capital assets (in years) 08-76
Industry total composed of:						
fuels industry	12.6	28.1	11.4	25.6	24.2	19.9
power engineering	12.7	34.0	13.0	33.7	44.5	35.1
ferrous metallurgy	14.0	32.9	16.2	46.3	51.5	39.7
nonferrous metallurgy	11.7	30.6	10.5	22.5	23.2	24.5
chemical industry	10.0	21.6	12.3	27.9	20.3 ¹	34.8
machine building	12.4	30.2	12.4	30.4	32.4 ¹	33.3
electrotechnical industry	11.0	23.9	11.5	25.4	16.2	33.4
construction materials industry	10.1	21.5	11.2	22.4	21.7	25.1
woodworking industry	10.0 ²	20.92	9.72	18.02	21.7	25.0
paper, cellulose industry ceramics and porcelain and glass industry					21.2	42.1
textile industry	12.4	24.3	13.1	26.0	24.6	28.3
clothing industry	8.7	14.9	8.8	13.1	19.8	19.4
leatherworking industry	12.2	27.0	13.2	25.5	21.9	29.8
printing industry	16.8	38.2	15.3	32.0	24.8	38.2
food industry	12.5	26.0	12.7	23.2	23.9	31.7
					28.0	33.9

1) Valid for machine building and electrotechnical industries

2) Valid for woodworking, paper and cellulose industries

Table 2. Liquidation Coefficient for Machinery Assets, 1970-1985 (in percent over 5 years)

	<u>1971-1975</u>	<u>1976-1980</u>	<u>1981-1985</u>
Industry total	8.7	9.2	10.3
composed of:			
fuels industry	15.7	15.6	16.6
power engineering industry	3.1	4.3	5.3
ferrous metallurgy	6.7	6.2	8.0
nonferrous metallurgy	9.8	9.8	10.1
chemical industry	10.1	7.4	8.6
machine building	6.4	7.2	8.5
electrotechnical industry	6.4	11.8	9.2
construction materials industry	10.6	11.4	14.7
woodworking industry	8.7	9.7	10.1
paper and cellulose industry	7.5	6.5	8.9
glass, ceramics and porcelain	9.2	11.9	10.8
textile industry	11.6	10.2	9.5
clothing industry	13.2	15.6	12.1
leatherworking industry	12.0	9.6	8.7
printing industry	10.4	23.4	12.0
food industry	13.3	11.3	13.3

The level of mechanization and computerization of machinery and equipment defines the technical sophistication of production (under Federal Statistical Office Decree No 95/1976, Laws of the CSSR, as stated in Decree No 156/80, Laws of the CSSR). In economic terms, technical sophistication is gauged by the extent to which human labor is replaced by embodied labor, or the extent to which a machine replaces a man.

In 1984 both of the above classes of capital assets were valued at Kcs 241 billion thus accounting for about 70 percent of all the capital assets in the CSR. Partially and fully computerized machines accounted for 57 percent of this total, with fully computerized machines accounting for only 14 percent of the total. The technical sophistication of power engineering and working machines in specific industrial branches evolved as follows:

Table 4. Technical Sophistication of Industrial Capital Assets

	1976	1980	1984
	1.	2.	3.
Industrial total composed of:	2.8	54.8	11.0
fuels industry	2.7	42.9	9.7
power engineering	2.8	81.8	0.4
ferrous metallurgy	2.7	48.5	8.3
nonferrous metallurgy	2.3	24.9	1.3
chemical industry	3.2	69.6	21.7
machine building	2.6	41.0	7.7
electrotechnical industry	2.9	49.6	17.2
construction materials	2.3	29.9	2.1
woodworking industry	2.8	55.3	12.0
paper and cellulose glass, ceramics and porcelain	3.6	78.9	39.3
textile industry	2.8	54.0	15.9
clothing industry	3.3	73.1	21.1
leatherworking industry	2.9	57.3	11.9
printing industry	2.6	41.5	9.7
food industry	3.1	83.3	8.2
	2.4	32.5	3.1

1 = average degree of technical sophistication

2 = percentage partly and fully computerized machinery
 3 = percentage fully computerized machinery

The increase in average technical sophistication has been very gradual (over a period of 10 years it has only increased by 0.1 to 0.2 points; it has even declined by 0.2 points in the chemical, paper and cellulose industries). The same has been true of the percentage of fully computerized machines.

Because imported machines, which accounted for 34 percent of all machines studied in 1984, have greater technical sophistication, it is likely that domestically produced machinery has been maintaining a certain level of technical sophistication for some time now. The foreign machines, specifically, demonstrate average technical sophistication that is 10 percent higher than the sample as a whole; the percentage for partially and fully computerized machines 9 percent higher than the sample as a whole; the percentage of fully computerized machines is 8 percent higher than the sample as a whole.

The foregoing attests to slow innovation and increases in the technical sophistication of the products of the Czechoslovak machine building industry. This has clearly resulted from the large numbers of items in our product line and the resultant slow application of R&D findings to machinery production. Moreover, the slow pace of innovation also undoubtedly results from low increases in labor productivity, while slow increases in technical sophistication result in part from inadequate capital asset liquidation levels. All the above trends have an unfavorable impact on capital asset efficiency and increased capital intensiveness, reduce national income formation per unit of overall production, and retard the process of the practical application of R&D findings.

Despite the adoption of a number of measures over time we have not been successful in increasing the liquidation rate of capital assets. Even setting targets for capital asset liquidation in the state plan has proved ineffective. This is a sufficiently serious issue, however, to deserve a longer look. We will undertake this, understanding that our views will prompt a discussion. We consider this an essential step in discovering the reasons for this situation. There is no doubt that many reasons, in addition to the technico-economic ones, relate to economics. The system of economic mechanisms designed to be used by the plan do not create sufficient pressure to assure the attainment of an optimal level of capital assets at each site. This is defined as the level that makes possible the attainment of production targets with full machine utilization.

1. We consider one of the critical reasons for this state of affairs to be that prices have no standard-setting function that would make it possible for enterprise performance (profits) to be evaluated based on the efficiency of cost estimates. Nor do prices have anything to do with whether R&D results are implemented in production rapidly or slowly, or with the organization of the production process (and thereby the amount of downtime). The current system for evaluating state of the art products does not change this assessment in the least.

Given the above role of prices, attempts to introduce value indicators to regulate capital asset levels, i.e., the return on capital asset indicator, can never be successful. In addition, other ways of exerting economic pressure are not being applied (such as wage incentives for senior managers to use capital

assets in multishift operations, differentiated credit conditions for new investments in conjunction with the use of existing investment capital, the introduction of new transfer payment based on unutilized capital assets, etc).

2. Upgrading capital assets usually requires much more investment resources than the original acquisition cost of the assets to be retired. This comes from investor data and from approved hidden price increases by equipment suppliers, meaning that the price of new products is not increased enough to reflect increased use values. The deputy minister of the Federal Ministry of Metallurgy and Heavy Engineering Prof. Eng Prusa, in the documents for a seminar of socialist academy lecturers in Gottwaldov in 1983 states that hidden price increases for machinery deliveries amount to 2.7-4 percent annually, depending on which of two calculation techniques one uses.

3. The domestic capital goods market has few modern machines in an appropriate product line, inadequate machinery service, and shortages of spare parts. We are convinced that both investors and potential end users would support the use, for capital asset replacement, of the best equipment available. We must use equipment, however, that is available when we need it. This touches on the chronic lack of knowledge by users (and designers) concerning supplier innovations and improvements (in scope and quality). Last but not least is the fact that some new products do not find a producer, leaving the customer to cope with an obsolete product.

4. We are still not sufficiently clear regarding our view on the development of product lines in production sectors. This results in a situation where enterprises do not liquidate their capital assets, keeping them instead for an "emergency," meaning for use at an unspecified future time, or as a "spare parts warehouse." This has been documented.

5. There are no socioeconomic incentives to work in multi-shift operations. This is in part because the infrastructure supporting this type of activity is very weak.

6. Local interests are still strong. Better utilization of new capital assets is often prevented by the failure to liquidate older, inefficient operations and plants, and an unwillingness to transfer workers to more modern facilities. In such cases we lose an opportunity to produce the same items at lower cost. The reasons for the failure to phase out such inefficient operations include:

- the inherent difficulty in dealing with the social aspects of worker relocation
- the assertion of local and group interests against the public interest;
- the assertion of branch interests against the public interest.

7. There is still a very low level of intersectoral and interbranch cooperation both within the CSSR economy and among CEMA member countries. This has resulted in a wide range of product lines, but also in a high level of underutilized machinery because of the increase in single purpose machines, computerization and robotization, as well as erratic marketing patterns.

The above factors are present in differing patterns and intensities as influences on the economic behavior of enterprises and VHJ. The net result tends to be a chronic underutilization of capital assets, with the consequent negative impact on economic performance.

On many occasions the reason cited for the aging of the production base and the low rate of liquidation is a lack of investment resources. We do not find this argument persuasive because current capital asset utilization rates indicate that much higher liquidation rates are possible without needing to upgrade underutilized machinery.

Number of Jobs, Their Structure and Utilization

An indicator describing the number and utilization of jobs needs to be added to evaluations of the utilization and efficiency of capital assets (at the risk of distorting valuational indicators).

To evaluate the level of job utilization, existing jobs must be divided into two types, according to their function in the production process:

- jobs in basic production operations;
- jobs in all other operations.

Basic production operations accounted for 71 percent of the total of 1.0545 million jobs in 1984. Of this percentage, 66 percent were manual jobs, while 80 percent of them were jobs related to machine building. The remaining jobs were in other types of operations.

Jobs in basic production operations must be further categorized as:

- basic technological jobs, which have a direct impact on the results of production, i.e., form the basis for a given product (loom operators produce fabric);
- auxiliary technological jobs, which have an impact on the final product (such as singing, printing, dyeing, combing machines in weaving and treatment operations).

These jobs exist in differing proportions to basic technological jobs and exert a substantial influence on the overall shift work utilization rate of jobs in basic production operations. At the same time, without these positions we could not reach our targets for the final product mix. Because there is great seasonality in production, the same is true of the utilization of auxiliary technological jobs.

Partial data indicates that the shift work rate for basic technological jobs is significantly greater. For example, statistical yearbooks for the consumer goods industry for 1970-1983 indicated that machines operating in the following environments were operated on two shifts the following percentages of the time:

in spinning mills:

--cotton	92 percent
--flax	82 percent
--combed wool	88 percent
--carded wool	85 percent

in weaving mills:

--cotton	94 percent
--wool	107 percent
--flax	86 percent

At the same time the shift work rate for the textile industry was only 1.319, and that of machinery jobs 1.464.

There is no more detailed view available of the job structure of other operations. Such facilities do contain, however, important jobs and professions that have an impact on the rate and effectiveness of development. We include here:

--other production operations (model shops, tool-making shop, production preparation, machinery repair and maintenance, production of semi-finished goods, etc.)

--economic service operations (electric power plants, heating plants, boiler rooms, development of electricity, water, steam, gas), warehouse management, packing and shipping, transportation;

--administration.

There is no way to gauge accurately the appropriateness of the number of these jobs. What can be stated with certainty is that their relatively large percentage of total jobs and their overall number comes about because of:

--the efforts of every business to be self-sufficient, attempting to eliminate the consequences of unreliable and irregular deliveries of items essential to meet their final production targets (typical examples include the building of foundries and tooling plants at machine building plants, etc.). This practice not only reduces job utilization, but also makes capital investment more expensive.

--shortcomings in the supply of spare parts, and of service for machinery and construction equipment, for which extensive maintenance operations and construction crews have been established.

The percentage of jobs in the other operations category differs from branch to branch, ranging from 55 percent in ferrous metallurgy to 9 percent in the clothing industry.

Jobs may also be classified as manual or as machine jobs depending on their access to capital assets. At the end of 1983 manual jobs accounted for 61.7 percent of the total of 1.0545 million jobs. Of this total, 43.5 percent were in basic production operations, and 74 percent were in other operations.

Even though there is no doubt that there is a high percentage of technologically essential manual positions (in the glass, ceramics, and metallurgical industries for instance), their share is still unnecessarily high. Reducing their number opens an opportunity to increase the shift work rate of machine jobs, thereby facilitating improved capital asset efficiency and labor productivity. A necessary condition is, however, to eliminate manual work by supplementary deliveries of machinery. This process clearly must respect the principle of propriety, meaning that total expended public labor involved in a given level of production not increase.

This problem cannot be resolved, however, without a detailed analysis at enterprises, VHJ, sectors, and planning agencies. The goal of measures in these areas should be:

- speeding up the mechanization of manual labor that is stressful for humans, improve labor productivity and reduce the number of workers needed;
- closer integration of the 5-year plan tasks of ministries, VHJ, and enterprises, with programs for increasing the technical sophistication of production, as well as resources designated for the implementation of these tasks;
- increasing the accountability of ministries, VHJ, and enterprises for reducing the amount of manual labor in relation to total work, as well as for the more effective utilization of the work force.

Since 1980 the number of jobs has declined by 4,800, with manual jobs declining by 2,700 and machinery jobs by 2,100. Other operations have also seen a decline of 4,300 in the number of jobs since 1980. The number of jobs in basic production operations has declined by 500 during this time period, reflecting an increase in the number of machinery jobs by 1,440 and a decline in manual jobs of 2,000.

Between 1975 and 1984 the number of jobs in the fuels, power engineering and ferrous metallurgy sectors increased by 10,600, in the chemical industry by 800, in the machine building industry by 2,500, in the construction materials industry by 1,000, and in light industry by 3,500. The greatest declines in employment came in the food and electrotechnical industries.

To evaluate the adequacy of the number of jobs one must take into consideration data on their utilization. The most reliable indicator in this area is the filling of job vacancies by workers or blue collar workers, which helps us to get a handle on potential underutilized capacity.

Before citing concrete data in this area let us mention briefly the time utilization of jobs and the development of shift work utilization in industrial branches. Available sources indicate that:

--in continuous operations shift work utilization declined in the past 5 years by 1 percent. At the same time utilization of the maximum time fund increased by 0.74 percent. Shift work utilization for machinery jobs declined by 2.5 percent, while the use of time available increased by 2.83 percent.

--in noncontinuous operations job utilization in relation to total useable time did not increase between 1975 and 1983, remaining at a 63.7-percent level for centrally managed industrial enterprises. Increases were recorded in fuels, ferrous metallurgy, machine building and electrotechnology, the glass, ceramics and porcelain industry; in other industries there were declines. The greatest reductions were in the construction materials industry, clothing, leatherworking and printing industry.

Comparison of the shift work utilization rates of 1984 with public shift work utilization standards as set by the methodological guideline of the former Federal Ministry of Technical and Investment Development [FMTIR] and the State Planning Commission [SPK] dated 10 November 1982, which defines the method of formulation and content of the investment objective, makes it possible to describe reserves in the utilization of capital assets.

Table 5. Comparison of Actual With Standard Shift Utilization Rates

	<u>Shift work rate 1984</u>	<u>Public standard</u>	<u>Percentage reserve</u>
Fuel industry	1.646	1.7	3.0
Ferrous metallurgy	1.560	1.6	2.0
Nonferrous metallurgy	1.360	1.7	20.0
Chemical industry	1.373	1.5	8.0
Machinery and metalworking industry	1.211	1.5	19.0
Electrotechnical industry	1.264	1.5	16.0
Construction materials industry	1.303	1.6	19.0
Woodworking industry	1.209	1.7	29.0
Paper and cellulose industry	1.416	1.7	17.0
Glass, ceramics and porcelain industry	1.254	1.7	26.0
Textile industry	1.322	1.7	22.0
Clothing industry	1.252	1.5	17.0
Leatherworking industry	1.217	1.8	32.0
Printing industry	1.194	1.7	30.0
Food industry	1.262	1.5	16.0

Even though the above estimates of reserves are only provisional, and may be verified only at the VHJ level (by documenting actual shift work rates for specific jobs in specific types of operations), we believe that they are not excessive, and that they actually exist.

Moreover, data gathered from selective studies on the utilization of selected machines organized by statistical offices indicate that:

--the actual shift utilization rate of machines increases with the level of technical sophistication: in September 1985 the rates were as follows:

--mechanized machines	1.657
--partially computerized	1.877
--fully computerized	2.109

--the shift work rate increases with the price of the capital asset: for example, in September 1985 the rates were as follows:

--value to Kcs 50,000	1.375
--value Kcs 50-100,000	1.752
--value Kcs 301-500,000	1.976
--value over Kcs 1 million	2.220

Data on the filling of job vacancies and unfilled openings for 1984 suggest that the above calculations of reserves are conservative.

Table 6. Filled Job Vacancies and Unfilled Openings by Industry, 1984

	total filled job vacancies		filled machinery job vacancies	
	in %	unfilled jobs (thousands)	in %	unfilled jobs (thousands)
Fuels industry	92.5	12.8	94.4	2.7
Power engineering	82.4	9.6	87.1	1.2
Ferrous metallurgy	88.3	18.0	84.1	8.0
Nonferrous metallurgy	84.7	4.1	78.3	2.1
Chemical industry	86.9	12.0	78.5	6.8
Machine building	77.4	173.8	74.8	45.4
Electrotechnical industry	77.4	50.0	75.5	16.9
Construction materials	76.6	19.0	70.8	8.9
Woodworking industry	63.3	31.1	59.0	13.4
Paper and cellulose	83.5	5.5	76.2	3.5
Glass, ceramics, and porcelain	72.4	25.9	66.6	8.6
Textile industry	73.8	54.8	68.4	31.0
Clothing industry	63.7	19.9	56.9	12.2
Leatherworking industry	61.2	33.7	51.5	2.9
Printing industry	63.7	9.5	58.7	4.6
Food industry	67.9	65.9	61.6	27.7
Industry total	76.7	562.9	71.3	223.0

Because the number of filled positions in discontinuous operations on the first shift averages 96 percent for industry (a range of 86-116 percent; leatherworking is an exception at 71.3 percent), one may conclude that unfilled job openings related to machinery are available mainly on the third shift in discontinuous operations. There are currently 222,000 unfilled openings in machinery related jobs in basic production operations.

Given an annual productivity per industrial blue collar worker, measured as gross output, at the 1983 level of Kcs 342,000, then the above unfilled job vacancies in basic industry represent annual industrial production in the vicinity of Kcs 75 billion. This estimate, however, is very approximate, in view of the problems we have noted with regard to the structure of jobs.

In addition to the filling of job vacancies there remains significant underutilized capacity in the shift-utilization of capital assets, concerning primarily excessive downtime. Even though no statistics currently exist regarding downtime, data obtained in the past permit a description of the scope of shift utilization of machinery. Data on the use of selected machines (always in the month of September) in 1976, 1978, and 1980 show downtime approximating 50 percent of the work day with:

--technical and technological downtime accounting for 5 percent of the work time;

--of the remaining 40-45 percent of the work day, 5 percent came from accidents and disruptions, 8 percent from shortages of materials and energy, 20 percent from either shortages or absences of workers, 20 percent from underutilized capacity, 30 percent due to work rhythms, and 17 percent for other reasons.

While this data cannot be generalized it suggests that there is great underutilized capacity in terms of the time that industrial facilities are in use, and which should be looked into and analyzed in more depth at the sectoral and VHJ level.

These reserves in the utilization of the industrial production base, as presented in the above figures, are exploitable only if sectors, VHJ, and enterprises are "willing" to participate in the intensification process, thereby reducing the overall investment intensiveness of economic growth. This is related in large part to the following:

--the quality of information about capital assets, their utilization and potential;

Statistics on capital assets provide enough information concerning their scope, structure, age and technical sophistication. Also available are data concerning jobs, their basic classification, job opportunities and the extent to which they are taken advantage of.

This information is too imprecise, however, for management at the branch ministerial level. It is our opinion that the current level of availability of computer technology constitutes an adequate base for a thorough description of all production facilities according to enterprises, territories, technical sophistication, compatibility, etc., as mechanisms for the effective management of the investment process, including reconstruction and modernization. It should also be possible to use this sort of sectoral description in the area of production management;

--the system and effectiveness of economic mechanisms for managing capital asset replacement.

Existing measures in these areas have not:

--reduced the number of jobs, increased their utilization, or limited demands for new investments;

- resulted in any significant increase in modernization or renovation work in comparison with new capital investment;
- increased the liquidation rate of capital assets or increased the liquidation rate of obsolete and inefficient operations and factories.

Any improvements in the management system must take account of these facts. In this context we suggest:

- developing measures in the area of price formation, as discussed in the text;
- consider the possibility of offering differing credit terms based on the utilization level of capital assets;
- develop a system of economic incentives for senior enterprise and VHJ managers related to the level of capital asset utilization;
- introduce immediately a supplementary transfer payment tied to unutilized capital assets.

At the same time we do not regard these measures to be exhaustive, because we are certain that initiatives on the part of sectors, VHJ, enterprises and collectives will come up with other, equally effective, resolutions.

In the report on the Main Socioeconomic Directions for the Development of the CSSR for 1986-1990 and Prospects Through the Year 2000, Comrade Strougal stated that "We are assuming there will be a change in the trend in capital asset efficiency, which in most production enterprises declined throughout the Seventh 5-Year Plan. This requires ministries, VHJ and enterprises to take effective measures to arrest this decline and gradually increase capital asset efficiency, by making better use of existing and liquidating more rapidly obsolete capital assets and by investing efficiently."

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UTILIZATION OF AGRICULTURAL MACHINERY IN CSR EVALUATED

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[Article by Eng Michal Pavluv, Czech Statistical Office: "Agricultural Machinery Utilization in CSR Agriculture"]

[Text] As one of the basic elements in the development of a socialist society, the development of agricultural production is continually the object of priority attention by party and state offices. This was the case at the 11th CPCZ Central Committee Plenum in October 1984, which discussed and approved the report of the CPCZ Central Committee Presidium on the fulfillment of the resolutions of the 16th CPCZ Congress and other tasks in agriculture and other sectors related to feeding the general public.

Given a declining work force and less and less available land the demanding tasks facing the agricultural sector will be attainable only by increasing labor productivity, improving capital asset utilization, better management of the soil stock, fertilizers and fodders and, last but not least, better utilization of agricultural facilities. Top priority must also be given to the practical application of the results of R&D programs as one important way to increase the volume and efficiency of agricultural output.

Positive results have been achieved in many areas, and other sectors are doing a better job of meeting their commitments to agriculture. Nevertheless, equipping agriculture with the proper machinery remains an urgent issue. This concerns the availability to agricultural enterprises of the proper types of tractors, the necessary implements to attach to these tractors, better machinery for the harvesting of root crops, equipment lines for harvesting fodder crops in foothill and mountainous regions, effectively designed trucks, equipment for handling agricultural crops, and spare parts.

In addition to strengthening the equipment base of agriculture, we must also devote priority attention to the effective utilization of this equipment, its regular and proper maintenance, and to reductions in our need for spare parts and fuels. Such attention to the operational capability of the agricultural machinery stock is just as important to effective primary agricultural production as is the professional qualifications of the people working on this state of the art equipment. Currently very few enterprises are set up adequately in either of these two areas.

To obtain more accurate information about the current machinery stock in CSR agriculture and baseline data concerning its utilization, statistical agencies conducted a study of the utilization of tractors, trucks and selected harvesting equipment for 1984. Data was also gathered concerning fuel consumption for given types of equipment. The objective of this, the third such study conducted on all state farms and on selected JZD (approximately 20 percent of all JZD in the CSR), was to obtain data for assessing the little studied area of agricultural equipment utilization. The study collected data on actual utilization, such as the total days worked by tractors in 1984, the total number of hours of operation and the number of these hours actually operated in field work. Also studied was the age structure of tractors, trucks and harvesting equipment by model and group. For harvesting machinery data included the hectare area actually harvested per machine, the tonnage harvested, and the amount of work performed for other organizations, mainly in the context of cooperative agreements. Data was also collected concerning reasons for each day of downtime, or reasons why a given machine was not operated at all. The categories studied included downtime because of:

- off-season periods or days off;
- shortages of spare parts and unplanned repair work;
- scheduled maintenance;
- lack of operators (combine operators).

For harvesting machinery inclement weather and the time needed for transfers between worksites was also considered.

A fully objective evaluation of agricultural machinery utilization would obviously have to take account of additional indicators that would measure in some way the peculiarities of primary agricultural production, e.g., the seasonal nature of the work. The choice of the indicators to be studied in 1984, however, took account of the availability of documentary evidence at agricultural enterprises as well as the possibility for comparing the data obtained with the data obtained in a previous study conducted in 1978. In publishing our results we hope to provide management with some basic data for evaluating this previously little studied area of agricultural activity.

This one-time study of agricultural equipment utilization in 1984 was performed in response to a resolution of the 11th CPCZ Central Committee Plenum, which emphasized among other things the need to improve both the standards of and incentives for improving the upkeep and utilization efficiency of agricultural machinery, reducing downtime, fuel consumption and spare parts requirements. The remainder of this article presents our results and trends in the utilization of the main categories of agricultural equipment.

Tractors

Despite the increasing presence in agriculture of motorized vehicles, tractors have been and will continue to be the primary working asset in this sector. Failure to meet delivery targets for tractors between 1970 and 1980 has had a

negative impact on the age structure of our tractor fleet and has reduced annual increases in their numbers. Since the last study of agricultural equipment utilization in 1978 the inventoried number of tractors in the fleet of the CSR, including machine tractor stations, has declined by 3.1 percent (3,155 units). There have been two main factors in this decline. On the one hand we have been removing from service obsolete and worn out tractors, and on the other hand deliveries of new tractors have been behind schedule. The target for the Sixth 5-Year Plan, as established by CSSR Government Resolution No 293/1976, was fulfilled at a 74.6 percent level by the delivery of 26,303 tractors to the CSR Ministry of Agriculture and Food. Based on the final plan breakdown this percentage increased to 88.2 percent. Between 1981 and 1984 the plan breakdown called for the delivery of 18,826 tractors to the Ministry of Agriculture and Food of the CSR. Actual deliveries were 20,612 units, a 9.5 percent excess over the target amount.

Difficulties in exporting our tractors to nonsocialist countries was one reason for this excess in deliveries. During the first four years of the Seventh 5-Year Plan a total of 2,408 of our heaviest duty wheeled tractors were delivered (minimum motor output of 74.3 kilowatts). This number represented 12.4 percent of total tractor deliveries, down from 19.7 percent of total deliveries in the Sixth 5-Year Plan. At the same time deliveries increased of lighter duty tractors (unified class I). These machines have engine capacities of up to 47.5 kilowatts. Their production increased as part of our strategy for fuel conservation. Tractors in this category accounted for 56.1 percent of total deliveries of 39,663 units during the Sixth 5-Year Plan. Between 1981 and 1984 tractors in this category accounted for 70.1 percent of all deliveries.

The high percentage of lighter duty tractors of older design has had a negative impact on the age structure of the tractor stock. This was shown in the most recent study. Of the 32,000 tractors in the study sample, 54 percent were in the oldest age category, i.e., older than eight years. According to decree No 94/1980, Laws of the CSSR, concerning capital asset depreciation, all these tractors would have been fully depreciated as of 1 January 1985. Their percentage of the total tractor stock of the CSR has declined in the past 6 years by only 1.7 percent. Nor has the age structure of the tractor fleet evolved favorably in individual krajs.

Table 1. Age Structure of Tractor Fleet, 1978-1984, Based on Study Sample

Kraj	percentage of tractors in age group based on inventory of 1 Jan 85			difference from 1 Jan 1979 inventory levels in percent	
	over 8 years ¹	over 12 yrs (% of over 8)	under 5 yrs	over 8 yrs	under 5 yrs
Central Bohemian	56.9	68.7	26.5	- 2.1	+ 1.3
South Bohemian	54.6	59.5	27.0	+ 1.6	- 2.5
West Bohemian	54.8	62.0	27.1	- 0.3	+ 0.1
North Bohemian	49.4	57.3	29.5	- 1.5	- 1.4
East Bohemian	56.5	67.1	27.9	- 4.5	+ 2.5
South Moravian	55.2	61.1	28.9	- 2.5	+ 3.8
North Moravian	48.9	53.6	30.9	+ 0.2	+ 0.5
CSR	54.0	62.1	28.2	- 1.7	+ 0.9

1) Useful life of tractors has been designated as 8 years. Except from decree No 94/1980. Laws of the CSSR, for organizations of the CSR agriculture and food sector.

This high percentage of older tractors has a negative impact on the operations of the tractor fleet and tractor utilization levels. This in turn has a negative impact on utilization rates of agricultural implements. Based on total acquisition costs of the machinery and equipment, at the end of 1984 the study indicated that 21.8 percent of the operating agricultural equipment in the CSR was fully depreciated. Percentages ranged from 18 percent of the total in the North Bohemian kraj to 27.3 percent in the Central Bohemian kraj. This is machinery and equipment which, according to Decree No 94/1980, Laws of the CSSR, should have had depreciation writeoffs credited to the capital asset replacement fund up to the amount of their acquisition costs, and which would be shown on capital asset accounts as of 1 Jan 1986 to have an acquisition cost of zero. Tractors account for the major portion of this fully depreciated equipment, but motorized vehicles and self-propelled harvesting machines are also included in the figures.

The tractors included in the sample worked a total of 5.422 million days in 1984. Allocating this day total among the average documented number of tractors suggests that an average tractor operated for 168 days in 1984, with JZD tractors operating an average of 161 days, and state farm tractors an

average of 172 days. This represents a decline in usage in comparison with 1978 figures of 2.9 percent. In the West Bohemian kraj usage increased by 3.5 percent, and by 1.8 percent in the Central Bohemian kraj. On the other hand usage declined by almost 13 percent in the South Bohemian kraj. Comparing the total days worked per tractor with the designated norm of 260 working days for 1984 yields a tractor utilization rate of 64.6 percent for our sample, a decline of 1.9 percent from 1978 figures. To put some perspective on this tractor utilization rate, which depends to a large extent on the seasonal nature of agricultural work, we also arrived at a figure for "average hours worked per machine in 1984." The figure of 1,223 hours worked was 140 hours less than recorded during the 1978 study. Machine utilization per working day also declined, from 7.9 hours in 1978 to 7.3 hours per shift in 1984. While this figure declined for all krajs the greatest decline was in the West Bohemian kraj (1 hour), with the least decline in the East Bohemian kraj (0.2 hours).

Table 2. CSR Tractor Utilization Rates for Study Sample, 1984

	(1)	(2)	(3)	(4)	(5)	(6)
Wheeled tractors consisting of:	173	66.5	57.1	96.6	7.3	67.8
Zetor 4001-4718 and modified	139	53.5	42.4	79.4	6.8	50.1
Zetor 5001-6001 and modified	208	80.0	69.0	X	7.3	58.8
Zetor 8011 and modified	198	76.1	65.6	90.4	7.3	74.4
ZT 300, ZT 303	139	53.5	46.3	72.4	7.3	75.6
Zetor 1011 and 12011 and modified	204	61.9	75.9	X	8.2	82.8
Skoda 180	161	62.7	66.0	93.1	9.1	91.8
K-700 and modified	163	34.6	73.1	93.1	9.9	75.7
Tracked tractors	90	33.8	30.8	86.5	7.6	66.9
including DT 75 and modified	88	33.8	30.4	80.7	7.6	81.0
Tractors total	168	64.6	55.4	97.1	7.3	67.5

Key:

- (1) average number of operating days per machine
- (2) operating days as percent of total available work days
- (3) hours operated as percentage of total available annual operating hours
- (4) index of operated days, 1984/1978
- (5) average hours operated per machine per day
- (6) percentage of operating hours engaged in field work.

Fully 94 percent of the Zetor 4011-4718 tractors operating as of 1 Jan 1985 (12 percent of the total tractor fleet) were fully depreciated. This played a major role in their low utilization rate. This is clearly the case because the next line of more modern tractors, the Zetor 5011-6011, were operated for an average of 208 days in 1984, the highest utilization rate for all tractor

classifications. The most powerful wheeled tractors, the Skoda 180 and Kiroveck-700, which play a critical role in meeting deadlines for agricultural work, were operated for fewer days and fewer hours per day than in 1978. Specifically, daily operating hours for the Skoda 180 declined from 11.2 in 1978 to 9.1 in 1984, and for the Korovec K-700 from 11 hours in 1978 to 9.9 hours in 1984. These reductions on a per tractor basis reflected both limits on diesel fuel consumption and the larger number of each of these heavy duty tractors in the tractor fleet.

The more rapid retirement from service of older, obsolete machinery would result in increased tractor utilization levels (and increased utilization of other agricultural equipment), would reduce expenditures on spare parts and fuels, and would therefore improve the operational performance of the entire fleet of agricultural machinery. Currently, costs associated with the operation of agricultural equipment account for almost 30 percent of total materials costs.

The category "field work as a percentage of total hours operated" was also studied. The overall figure of 67.5 percent attained by tractors in 1984 was 0.4 points higher than in 1978. The majority of agricultural products are still transported by tractor because of a shortage of trucks in primary agricultural production and a lack of service capability. This accounts for the slow increase in field work as a percentage of total operating hours.

Most of the decline in the number of days of operation and number of hours of operation can be accounted for by the poor age structure of the tractor fleet, frequent machinery breakdowns, inadequate supplies of necessary spare parts, shortages of drivers, and frequent poor management of available agricultural machinery. Unproductive time for tractors, i.e., total down time, including days when no operations were scheduled at all, amounted to 54.2 percent of total calendar days for the study sample (56.1 percent for JZD tractors and 53.1 percent for state farm tractors). There were four main reasons for this downtime: 1) because of off-season and normal day-off time; 2) lack of spare parts and unplanned maintenance; 3) planned maintenance; 4) lack of drivers. The first of these causes, namely not operating because of a normal day off or because of the off-season, is a relatively unchanging figure, and accounts for 75.8 percent of total tractor down time.

Adjusting the total days of downtime for the downtime caused by the normal course of events, one gets the following figures for the remaining causes: 37.1 percent due to scheduled maintenance, 31.8 percent due to lack of spare parts and unscheduled maintenance, and 26.6 percent because of a lack of drivers. These figures confirm that there is still substantial underutilized capacity in the area of agricultural equipment utilization. The potential is indicated by the following: if we could reduce the amount of downtime caused by lack of spare parts and unscheduled maintenance by only one-third, we would gain 2,700 tractors for use in CSR agriculture for an entire year. This would replace 50 percent of the annual deliveries of tractors scheduled for the enterprises of the CSR Ministry of Agriculture and Food for 1984.

Trucks

In contrast with the tractor fleet, the removal of obsolete and fully depreciated trucks from service combined with deliveries of new vehicles has significantly improved the age structure of the agricultural truck fleet. Of a total study sample of 10,054 vehicles as of 1 Jan 1985 (32.5 percent of the total fleet, including machine tractor stations, for the CSR agriculture) 28 percent were in the over 8 years old category, in comparison with 47.3 percent in 1979. The age structure of the truck fleet belonging to state farms is better than that for JZD. The South Bohemian kraj has the largest percentage of trucks less than 5 years old, and the East Bohemian kraj has the largest percentage of over 8 years old vehicles.

Table 3. Age Structure of Trucks in CSR Agriculture

	percentage of inventory as of 1 Jan 1985		percentage change related to 1 Jan 1979 figures	
	over 8 yrs	under 5 yrs	over 8 yrs	under 5 yrs
total: study sample comprised of:	28.0	49.8	- 19.3	+ 9.5
JZD: selected sample	35.8	43.8	- 12.8	+ 5.1
state farms	24.2	52.8	- 22.1	+ 11.1

Increased deliveries of new motorized vehicles has had a positive impact on the vehicle replacement rate, which reached 122.4 percent for agriculture as a whole, including machine tractor stations in 1984, 123 percent for JZD and 128.7 percent for state farms. Of the total of 3,033 trucks newly purchased in 1984, 56 percent had a capacity in excess of five tons. More than 50 percent of these were the agricultural model of the Skoda MTSP 27. Almost two-thirds of the vehicles in the under five ton class were Saviem light truck models A 15 and A 30.

Utilization levels for trucks in 1984 in terms of both days of operation and hours of operation were lower than 1978 figures. Average days of operation for all trucks declined from 217 per year in 1978 to 179 days in 1984. For the study sample the average number of operating hours per year was 1,383. CSR Government Resolution No 321/1980 set a minimum of 1,550 hours per year as the operating standard for factory transportation. On a per vehicle basis the average length of a shift declined by 1.2 hours between 1978 and 1984.

Even though this decline in operating days resulted in part from fuel conservation measures, downtime because of lack of spare parts, older vehicle breakdowns, and driver shortages, every agricultural enterprise also has the potential to improve its vehicle utilization rate. Our recent study confirmed this. The heavy duty Skoda Agromodel trucks operated an average of 221 days in the West Bohemian kraj, but only 180 days in the North Moravian kraj. One of the ways to increase the utilization rate is to remove from service all

obsolete trucks under five tons of capacity and to increase the number of the heavy duty Skoda trucks. This will permit an increase in the utilization rate both for road transportation and in field work, where there are large differences among different kraj. The nationwide average percentage of field work is 40.6 percent of total hours of operation, but this combines the extremes of 35.5 percent for the North Bohemian kraj and 46.6 percent for the South Moravian kraj.

Table 4. Truck Utilization Rates, CSR Study Sample, 1984

	(1)	(2)	(3)	(4)	(5)	(6)
Skoda MTSP 27-agromodel	202	77.7	76.2	x ¹	8.3	62.6
Skoda 706-906 and modified	188	72.3	70.7	82.8	8.3	36.9
Tatra, all models	201	77.3	77.3	79.8	8.5	47.3
IFA W 50, including waste tank with over 3 cubic meter tank capacity	163	62.7	56.6	x ¹	7.7	50.2
other trucks	175	67.3	56.6	80.6	7.1	29.7
total trucks including all waste tank trucks	179	68.8	62.6	82.5	7.7	40.6

1) no study made in 1978

Key:

- (1) average number of days operated per vehicle
- (2) days of operation as percentage of total available days
- (3) hours of operation as percentage of total available hours
- (4) index of days of operation 1984/1978
- (5) average number of hours operated per day
- (6) percentage of total operating hours engaged in field work

Table 5. Truck Utilization Structure of Calendar Days, 1984, and Reasons for Downtime

	Total for Sample		Composed of:			
	1984	percent change from 1978	JZD	change from 1978	state farm	change from 1978
Percentage of total calendar days engaged in:						
-- operations	48.7	- 8.6	47.0	- 9.6	49.7	- 8.4
-- no operations at all	3.5	- 0.7	3.8	- 0.6	3.4	- 0.6
-- full day downtime	47.7	+ 9.3	49.2	+ 10.2	46.9	+ 9.0

Table 5 [continued].

	Total for Sample		composed of:			
	1984	percent change from 1978	JZD 1984	change from 1978	state farm 1984	change from 1978
Percentage of full day downtime attributable to:						
-- off-season and days off	76.4	+ 9.7	80.1	+ 12.1	74.6	+ 8.9
-- lack of spare parts and unscheduled maintenance	7.1	- 7.4	6.3	- 6.2	7.5	- 8.6
-- scheduled maintenance	9.4	- 2.8	8.5	- 3.6	9.9	- 2.4
-- lack of drivers	5.3	--	4.1	- 1.9	6.0	+ 1.2
-- other	1.8	+ 0.5	1.0	- 0.4	2.0	+ 0.9

Combine Harvesters

Between 1978 and 1984 the age structure worsened particularly in the group of combine harvesters less than 5 years old. Their percentage of the study sample declined by 21 percent in comparison with 1978. Data did not exist to compare combines older than 10 years as a percentage of total combines for 1978 and 1984. In 1981 there was an update to the decree on depreciation of capital assets. Section 536--working agricultural machinery and equipment, of Decree No 94/1980, Laws of the CSSR, was changed to reduce the designated useful life of this equipment from the original 12 years to 10 years.

The application of modern harvesting techniques (the operation of harvesting equipment in groups, the organization of assistance among areas where grain ripens at different times) has had an impact in a moderate increase in the number of days of combine operation in 1984. Specifically, the 33 day figure for 1978 increased to 34 days in 1984 for each combine. For Soviet SK-5 and SK-6 machines the figure was 17 days, for the E-512 and E-514 models from the GDR 35 days, and 38 days for the heavy duty E-516. As Table indicates the utilization levels for combine harvesters varied from kraj to kraj in terms of days of operation, length of the average shift, and seasonal output per machine.

Table 6. Combine Harvester Utilization in CSR Agriculture, 1984, on Per Machine Basis

Kraj	Average days index of operation 1984/ 1978	Average hours operated per day	index 1984/ 1978	harvested area- hectares	index 1984/ 1978
Central Bohemian	27	100.0	9.7	94.2	131
South Bohemian	37	102.8	9.7	105.4	139
West Bohemian	42	116.7	10.1	114.8	143
North Bohemian	30	93.8	8.5	93.4	115
East Bohemian	36	97.3	9.1	94.8	136
South Moravian	35	97.2	9.1	100.0	140
North Moravian	37	112.1	9.2	97.9	143
CSR	34	103.0	9.5	100.0	134
					97.8

The decline in seasonal output for four krajs resulted from larger numbers of harvesting machines. This had a positive impact in the form of improved quality of the harvesting work and reduced losses. Seasonal output should continue to decline in future years. Projections of the CSR Ministry of Agriculture and Food call for gradual reductions to the vicinity of 100 hectares. In line with the strategy of reducing the load on individual combine harvesters, mechanisms must be set up to allow for the purchase of additional new machines.

Mainly as a consequence of fuel conservation measures the volume of work performed in agriculture in the past 6 years for other organizations under contracts among okreses, krajs and between the CSR and SSR has declined. In comparison with 1978 when the amount of land harvested for other organizations amounted to 22 percent of the total area harvested by the study sample machines, the figure for 1984 was 17 percent. The amount of cooperative work declined more for state farms than for JZD in all areas.

While tractors were utilized for productive activities on 45.8 percent of the calendar days in 1984, combine harvesters were so utilized on only 9.3 percent of the days. Of the total number of 1.335 million days of downtime for the fleet of combine harvesters, fully 94.8 percent were accounted for by the off-season, days off and scheduled maintenance. The limited use of combines is dictated by the schedules for harvesting particular crops. In 1984 usage was affected strongly by inclement weather at harvest time. Of the remaining downtime not accounted for by the above reasons, 50.9 percent was due to inclement weather, 23.9 percent to a lack of spare parts and unscheduled maintenance, 7.8 percent to transportation between jobs, and 4.5 percent to a lack of combine operators.

Potato Harvesters

As with combine harvesters, the age structure of potato harvesters worsened between 1978 and 1984. While in 1984 65.4 percent of the study sample of two-row harvesters was less than 5 years old, in 1984 only 46 percent of the sample

was in this age group. This reduces this age group's percentage of the total by almost 20 percent. Only 18 percent of the single-row potato harvesters, which were first included in the study in 1984, were under 5 years old.

Deliveries of new potato harvesters in 1984 were sufficient only to replace the harvester fleet, while in 1978 new machine deliveries involved roughly 70 percent capital replacement and 30 percent expansion of the fleet of harvesters.

In comparison with grain crops, the harvesting of which is completely mechanized, we cannot yet be satisfied with the level of mechanization of potato harvesting. In 1984, 73.4 percent of the potato harvest was mechanized, up from 68.6 percent in 1978. In addition to a lack of harvesters appropriate for our conditions, another reason for the low level of mechanization is poor utilization of the harvesters that we do have. The different results achieved by JZD and state farms, differing performance from region to region, both in terms of days of operation and per harvester volumes, confirm that we can utilize this capital stock more efficiently. In nationwide competition in 1984 a number of teams operating two-row harvesters achieved, despite poor weather conditions, seasonal output of more than 60 hectares, in comparison with the average performance of our study sample of a little over 27 hectares. Poor harvesting conditions had an impact on this figure. Almost 43 percent of the downtime not accounted for by the off season, days off or scheduled maintenance resulted from a lack of spare parts and unscheduled maintenance. This accounted for 23 percent of the unplanned downtime of combine harvesters, but 34 percent of the unplanned downtime for potato harvesters.

In addition to supplying improved harvesting equipment to agricultural enterprises engaged in potato production, we intend to improve storage facilities for harvested potatoes, to install modern sorting and handling equipment, and to improve the distribution system to the consumer.

Kraj	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Central Bohemian	30	142.8	30	30	142.8	19	8.3
South Bohemian	30	115.4	17	31	119.2	15	8.1
West Bohemian	29	170.6	19	23	121.0	16	8.3
North Bohemian	20	153.8	5	23	230.0	4	7.6
East Bohemian	24	133.3	12	27	142.1	11	8.1
South Moravian	27	109.1	21	27	100.0	18	8.6
North Moravian	25	138.9	24	23	135.3	36	8.6
CSR	27	122.7	22	27	128.6	18	8.3

Specializing potato cultivation according to use categories is also intended to improve potato production. This involves the designation of specific enterprises and geographical areas for the production of early potatoes, eating potato sets, and industrial potatoes. The question of potato quality remains an open one, as noted in the final report at the 11th CPCZ Central Committee

Plenum. This report also noted the need to improve the quality of research, improvement, crop protection, and the mechanization of harvesting. Imported harvesting equipment from the GDR has turned out to be ineffective in our heavier, stony soils. This results in mechanical damage to the potatoes, which in turn leads to excessive losses during storage.

Equipment for the Two-Step Harvesting of Sugar Beets

The age structure of sugar beet harvesters has worsened since 1978, especially that of the six-row self-propelled harvesters. In 1978 fully 97 percent of these machines at JZD were under 5 years old. In 1984 this percentage had declined to 50.1 percent, and on state farms to 54.3 percent. The age structure for three-row harvesters also developed more favorably at state farms than at JZD.

Increased deliveries of new harvesters has increased the pace of their replacement. While in 1978 deliveries did not even meet half of our requirements for replacement they had increased by 1984, assuming 10-year useful machine life, to a point where they were meeting 106.3 percent of our replacement requirements (101.5 percent of JZD and 170.4 percent of state farm requirements). However, on state farms only 16 percent of the total number of harvesters has been documented, while the figure for JZD is 73 percent.

Despite the fact that sugar beets occupied only 4.5 percent of the total sown land in the CSR in 1984 (potatoes occupied 3.9 percent, and grains 51.5 percent) their thinning, cultivation and harvesting occupied an immense amount of labor and transportation time and equipment. The sugar beet harvest in 1984 was fully mechanized, despite unfavorable weather conditions, by operating all available machines, and in particular the self-propelled, six-row harvesters.

While the three-row harvesters of the 1984 study sample operated for an average of 18 days and harvested 23 hectares per machine, the six-row harvesters operated for an average of 33 days and harvested an average of 108 hectares per machine. In comparison with 1978, however, both the average days of operation and the average hectares harvested per machine declined significantly in 1984. An indication of the problem which the utilization of the three-row and six-row harvesters is that these were the only types of harvesters that experienced a decline in the average per machine days of operation between 1978 and 1984. The number of per machine days of operation for combine harvesters increased by 3 percent during this period, those of two-row potato harvesters by almost 23 percent, and those of the self-propelled E-280 mowers by 7 percent. In contrast the average per machine days of operation declined by 31 percent for three-row sugar beet harvesters, and by 21.4 percent for the six-row harvesters.

This confirms only that we must pay increased attention to the utilization rates of sugar beet harvesting equipment in all agricultural enterprises and managerial offices. We must also come to grips with a lack of appropriate planting and cultivating machinery for sugar beets.

One avenue that is being pursued to resolve this situation is a joint program of the CSR Ministry of Agriculture and Food and Ministry of General Engineering to augment the current two stage harvesting equipment for sugar beets with machines that both cut off the tops and dig the sugar beets in the same pass. After examining several imported foreign types, we decided to procure a license for the production of a West German harvester made by the firm Fahse. This machine is produced at the Jicin Agrozet plant. The first 20 units were produced in 1984 as the SC 1-601 harvester (Multo 6). This machine has the advantage of causing fewer losses during operations, making headland harvesting easier, and being able to use a Zetor 16145 tractor as a power source. The self-propelled, six-row harvesters, in contrast, have their own motor and cannot be utilized in any other capacity in the off season. Field tests are being conducted for other new types of harvesters, some of which were produced in agricultural enterprise workshops. While in 1978 there were only 57 confirmed rear or front mounted harvesters similar to the Korag, Multo 6 and Kleine models in CSR agriculture, by 1 Jan 1985 there were 139 such units available for sugar beet harvesting, accounting for 5 percent of the total number of harvesters. Adding this equipment to the agricultural capital stock is intended to improve the efficiency of sugar beet harvesting, reduce harvesting losses, reduce the compression of the surface soil layers, and conserve fuel.

The most frequently cited reason for downtime for these harvesting machines is a lack of spare parts, unscheduled maintenance, and poor weather. After adjusting for off season time, days off and scheduled maintenance shortages of spare parts and unscheduled maintenance accounted for 56 percent of the remaining downtime for six-row, self-propelled harvesters.

Self-Propelled Fodder Harvesters

In 1984 CSR agriculture had 1.057 million hectares of annual and perennial fodder crops, 493,000 hectares of permanent meadows and 230,000 hectares of pastures. These fodder stands, meadows and pastures accounted for the largest percentage (42.2 percent) of the stock of agricultural land as of 31 May 1984. In order to harvest such a large expanse of land in a timely fashion sufficient numbers of the proper machines are required, and they must be used in an optimal fashion.

Heavy duty, self-propelled harvesters currently occupy a critical position in the equipment fleet for the harvesting of fodder crops. These are second generation machines and their numbers are increasing. Of the total of 14,833 mowers and hay conditioners documented in the CSR as of 1 Jan 1985, self-propelled mowers represented 29 percent in comparison with 13.6 percent as of 1978. Their numbers increased by 42 percent during the Seventh 5-Year Plan, and reached 4,306 units by 1 Jan 1985. The number of hay conditioners increased by 49 percent over the same period, reaching 2,904 units. These two pieces of equipment account for more than 60 percent of the total fodder harvest.

Even though the fleet of self-propelled mowers was modernized between 1978 and 1984 its age structure worsened. In 1978 almost 90 percent of the study sample was under five years old, this figure had declined to 46 percent by 1984, a decline of 43 percent. The increased percentage of older machines was affected by delivery levels of new machines. While in 1978 the replacement level for self-propelled mowers and hay conditioners was 110.9 percent, assuming a 10-year useful life, in 1984 this figure had declined to 83.6 percent. This was not due to lack of domestic supply of replacement machinery, but rather to a lack of faith in the quality of the SPS-35 mower and its high acquisition cost.

The highest per machine performance figures for the sample group was achieved by the GDR manufactured E-280 mower and its modifications, even though almost 37 percent of these machines were more than 10 years old in 1984. These machines worked an average of 93 days in 1984 (up from 87 in 1978), in comparison with 89 days for the SPS-420 mower and 87 days for the SPS-35 mower. The E-301 self-propelled hay conditioner and its modifications were operated for an average of 65 days. Our mowers on the other hand had a higher seasonal output than the German mowers. Our SPS-35 mowers averaged 477 hectares, a figure almost 80 hectares higher than that of the E-280 mowers. These seasonal figures differed between sectors and regions. This indicates underutilized capacity in mower operations. These must be exploited either by increasing the operational reliability of the machines, or by improving the organizational and scheduling work related to the operation of this high performance equipment.

The utilization rate for mowers has been influenced heavily by downtime due to a lack of spare parts and unscheduled maintenance. Information from agricultural enterprises attributes 53 percent of adjusted downtime to these two reasons. In the case of the newest of these mowers, the SPS-35, these two reasons accounted for 57 percent of this downtime. These high-performance, but expensive self-propelled machines also suffered from high breakdown frequencies in 1984, which made it impossible for agricultural enterprises to utilize them fully. This situation improved significantly in 1985 as spare parts became much more available.

Table 8. Self-Propelled Mower Utilization in CSR Agriculture in 1984, on a per Machine Basis

Kraj	Area of Green Fodder Harvested, in Hectares						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Central Bohemian	294	84.5	338	93.9	379	233	78.4
South Bohemian	419	72.4	534	84.1	549	393	72.0
West Bohemian	463	66.7	518	75.3	550	397	68.2
North Bohemian	341	75.1	401	86.2	442	313	78.0
East Bohemian	483	80.1	497	92.2	518	413	82.9
South Moravian	327	80.9	385	70.2	406	308	86.8
North Moravian	385	94.8	460	95.0	491	366	89.3
CSR	392	81.3	436	83.7	477	353	78.6

[Key on following page]

Key:

(1) E-280 and modifications	(5) SPS-35 (first included in 1984)
(2) index 1984/1978	(6) E-301 and modifications
(3) SPS-420	(7) index 1984/1978
(4) index 1984/1978	

The growing tasks facing our agricultural sector are placing great demands on its facilities and equipment base. In addition to providing primary agricultural production with more equipment we must also improve, as the 11th CPCZ Central Committee Plenum noted, the utilization of this equipment as well as reduce energy and fuel consumption and the need for spare parts.

The results summarized here of our study of the utilization rates for tractors, trucks and in the seasonal performance of self-propelled harvesting machines at JZD, state farms and by specific regions confirms that agricultural enterprises all possess significant underutilized capacity in their use of agricultural equipment that can, and must be exploited.

The most important factor that will have an impact in this area is the unfavorable age structure of the tractor fleet. Large numbers of obsolete, fully depreciated tractors are still in operation. This increases operating costs and downtime which, along with the fragmented model structure of the tractor fleet, complicates the use of tractors and the implements designed to be hitched to them. The human factors that will influence our success in this area include the quality of the organizational and managerial work applied to the operation of agricultural equipment, and the professional qualifications of the people who will be servicing and operating high performance, but expensive agricultural equipment. Numerous enterprises are currently deficient in both these areas.

This study of agricultural equipment utilization has shown that to improve the use of our agricultural capital stock we need to focus our attention on the following areas:

-- improving the age structure of agricultural equipment, especially tractors, through deliveries of new equipment and the retirement from service of fully depreciated units, and improving the mechanisms for providing resources to replace in a timely fashion the agricultural equipment stock;

-- improve the system for maintaining all equipment, improving the quality of preventive maintenance at agricultural enterprises, including documentation of maintenance histories and the level of equipment utilization;

-- improve the product line and availability of spare parts, their distribution system, especially during harvest periods, with the objective of keeping all machines fully operational;

- improve the organization, identification, and classification of the spare parts currently warehoused by the CSR Ministry of Agriculture and Food, improve the qualifications of the personnel dealing with spare parts, and increase the application of microphotography to spare parts classification and management;
- speed up the implementation of the approved strategy for repair operations at VHJ enterprise, machine tractor station and okres agricultural administrations, as well as at agricultural enterprises themselves;
- stabilize the service technician workforce, and improve qualifications through in-service training and seminars;
- improve coordination and cooperation in the use of heavy duty equipment, to reduce transit times and conserve fuel;
- offer economic incentives to all employees for fuel conservation on each individual machine.
- further improve managerial and organizational work in the operation and maintenance of the agricultural machinery stock.

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INDUSTRY ANALYZED BY PYRAMID SYSTEM OF INDICATORS

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[Article by docent Eng Miloslav Synek, candidate for doctor of science, Prague College of Economics: "Czechoslovak Industry in Seventh 5-Year Plan in Light of Pyramid Analysis"]

[Text] The Theory and Importance of Pyramid Analysis

When planning and evaluating national economic development or the development of specific sectors (industry, agriculture, construction) one may either use a number of isolated indicators or evaluate the relationships between indicators. The basic analytical mechanisms are relative indexes (growth rates) or absolute increases in indicators. This article is intended to outline the potential use for this purpose of so-called pyramid analysis.

Pyramid analysis involves the analysis of a given subject through a system of indicators that are defined so that there exist mathematical relationships between them which reflect the correlations between the evaluated phenomena and processes. (In the 1970s several pyramidal systems of indicators were developed in the CSSR, one example being the VUSTE [Engineering Technology and Economy Research Institute] pyramid of docent Matejka and others; for this article we will use a pyramid developed by Professor Hoffman [see V. Hoffman, Reditelska analyza. Prague, Svoboda, 1983]). At the apex of the pyramid is the central (peak, dominant) indicator, which is then gradually broken down into the product, percentage, sum or difference of other individual indicators. In the pyramid, moreover, the more specific indicators are less important than the more composite, generalized ones. Through this gradual breakdown one gets to a system of indicators that form a pyramid, in which the indicators arranged hierarchically based on their importance (see Figure 1). Of the three main indicators of the Set of Measures, namely adjusted value added, return on production assets, and the differential indicator, the most appropriate for pyramidal analysis is the return on assets indicator. Incidentally, many economists consider this to be the main indicator for describing economic efficiency.

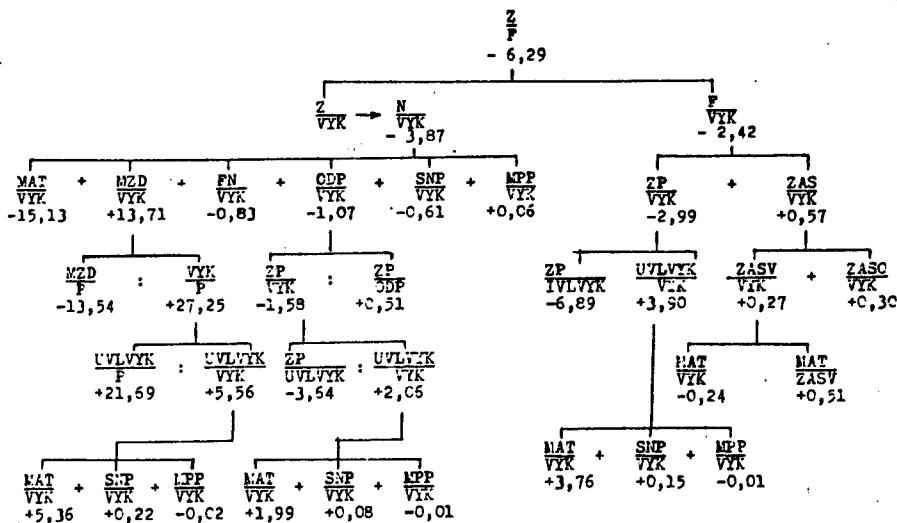


Figure 1. A Pyramid System of Indicators

The top indicator on the pyramid is return on production assets, which is defined as profit as a percentage of production assets. Production assets in turn are defined as the sum of the value of capital assets at their acquisition cost plus average inventory levels. The pyramid has two branches, a cost branch and a capital branch. The cost branch covers cost-related factors in the lead indicator, while the capital branch covers capital related factors in the lead indicator. The cost branch is based on the return on output indicator, Z/VYK in such a way that the Z/VYK figure is converted to a production cost indicator, N/VYK , according to the relationship $Z=VYK-N$, which is then divided by VYK (these symbols are defined in Table 1). At the second breakdown level the cost branch covers the impact of isolated cost indicators calculated based on cost classification by type. At the third level, the pyramid describes capital asset requirements per unit of output, ZP/VYK , and the average useful life of capital assets, ZP/ODP , along with average wages, MZD/P , and labor productivity, VYK/P . Level four of the breakdown describes the impact of adjusted value added, while level 5 describes the three so-called elementary factors in efficiency. These are defined as the end indicators of the pyramid, i.e., those which are not broken down any further. The capital branch at its second level of breakdown describes both the capital asset and inventory requirements for given outputs, ZP/VYK and ZAS/VYK ; at its third level inventories are classified into their main components, and in level four the five elementary factors are summarized.

In conjunction with the technique of analyzing increases (indexes) in composite indicators using logarithm indexes and differences in isolated indicators, a pyramid enables us to enumerate the influences of specific indicators. One must distinguish between multiplicative links between indicators (percentage links) and additive links (differences). In the first instance, to which the model $x=ab$ (where x is the composite indicator and a, b are the individual indicators) a relative percentage increase in the composite indicator can be

Table 1. Input Data for Industry as a Whole

Indicator	Symbol	Period		Index 1985/1980
		1980	1985	
Profit ¹	Z	73,090	92,205	1.26
Output ¹	VYK	700,402	919,601	1.31
Costs	N	627,312	827,396	1.32
Adjusted value added	UVLVYK	233,775	291,921	1.25
Materials costs ²	MAT	457,170	614,301	1.35
Depreciation	ODP	30,194	40,687	1.35
Wage costs and OON	MZD	87,240	101,225	1.16
Nonmaterial services	SNP	7,984	11,071	1.39
Financial costs ³	FN	43,251	57,590	1.33
Shortfalls, damages, fines, and penalties	MPP	1,473	1,879	1.28
Capital assets ⁴	ZP	764,584	1,043,178	1.36
Total inventories ⁵	ZAS	188,237	239,562	1.27
Production inventories ⁶	ZASV	101,083	129,124	1.27
Other inventories ⁶	ZASO	87,154	110,438	1.27
Number of employees ⁷	P	2,697,484	2,770,248	1.03
Production Assets [ZP+ZAS]	F	952,821	1,282,740	1.35

- 1) Profits and output are exclusive of international trade and extraordinary revenues;
- 2) Total materials costs exclusive of depreciation and residual capital stock prices;
- 3) Total financial costs, exclusive of shortfalls, fines and penalties;
- 4) Capital stock at acquisition cost--average annual level;
- 5) Total inventories exclusive of uninvoiced work and contractors--average annual level;
- 6) Average annual level;
- 7) Average number of employees

All data except employee counts in millions of korunas in current prices.

analyzed by the ratio of the logarithm indexes of the individual indicators. The percentage impact of individual indicators, a , on the relative growth of the composite indicator, x , we refer to as the individual relative increase, DRP. We calculate it as follows:

$$DRP_a = \log \frac{a_1}{a_0} : \log \frac{x_1}{x_0} \times \frac{x_1 \times 100}{x_0} - 100,$$

where 1 designates the current period, and 0 the base period. DRP_b is calculated the same way.

For additive and differential links relative percentage increases in the composite indicator is analyzed by the ratio of the absolute increases of the individual indicators. When calculating individual relative increases we proceed from the tip of the pyramid down to its base. The calculation can be performed easily on any pocket calculator with a "log" function and a memory. For the shares of indicators a/b one cannot forget to change the sign of DRP_b to a minus, because taking logarithms changes division into subtraction. When making calculations we are constantly monitoring whether the sum of individual relative increases equals relative increases of the indicator being analyzed. The control on the correctness of the calculations for the entire pyramid is that the sum, DRP, of the end indicators of the pyramid (those which are analyzed no further) must equal the relative growth of the lead indicator. The calculation may be made on a computer, with the whole process, including printing, taking several minutes.

We can use pyramid analysis for studying a subject in two or more consecutive periods, for evaluating plan sophistication and internal coordination (comparing it with previous periods), for evaluating plan fulfillment (comparing reality with projections), and for comparing subjects with each other (interenterprise comparison)². [see the work of M. Synek and E. Soucek. International Comparisons Based on Pyramidal Analysis of Systems of Indicators. PODNIKOVA ORGANIZACE, No 3, 1984].

A pyramid system of indicators makes it possible to describe overall economic efficiency and individual phenomena that have an impact on it. This allows it to overcome a restricted view of the efficiency (effectiveness) of individual production resources (employees, capital stock, working capital) and to evaluate efficiency comprehensively. This indicates that in order for overall efficiency to increase it is not sufficient for the efficiency to increase in isolated factors of production, if the efficiency of another indicator declines at the same time. For instance, an increase in labor productivity can be completely negated by an excessive increase in the value of capital assets per worker, because this means that the excess assets will not be fully utilized (see below).

Pyramid analysis can be effectively combined with a system of inequalities, which helps to determine rapidly whether the proper growth relationships exist between basic indicators. One may deduce, for instance (see citation 1) that the following relationship should exist between the following selected indicators:

$$I_Z > I_{UVLV} > I_{VYK} > I_{ZP} > I_{MZD} > I_p.$$

This system of relationships should exist because in an effectively functioning economic system:

--profits as a percentage of adjusted value added should increase faster than wages;

--adjusted value added increases at a faster rate than output, because increases in output are achieved with relatively fewer materials;

--output rises faster than capital assets at acquisition cost, thus achieving better capital asset utilization;

--the main source of improving labor productivity, I_{VYK}/I_p , currently is to increase the capital asset per worker figure; this is why it should be true that $I_{ZP} > I_p$ and, assuming a concurrent increase in the composition of the capital stock, $I_{ZP} > I_{MZD}$.

If the inventory turnover rate is to increase, then it should be the case that $I_{MAT} > I_{ZASV}$.

When using systems of inequalities one must bear in mind that the above relationships do not always exist, and that they may fluctuate over shorter periods of time. They should, however, hold true over the long term. Nor should they be taken to imply any specific growth rate for individual indicators, but the values of the index numbers should decline from left to right in the above set of inequalities.

Using the relationships introduced in the pyramid and the system of inequalities, one may discover underutilized capacity and establish proper proportions in the plan. Here is an example. In the pyramid the relationship is defined of

$$\frac{VYK}{P} = \frac{VYK}{ZP} \times \frac{ZP}{P} .$$

This implies that labor productivity is dependent on capital asset utilization VYK/ZP , and the capital asset per worker ratio, ZP/P . If we require that increasing production efficiency come about both through increases in labor productivity (VYK/P) and through increases in capital asset efficiency (VYK/ZP), at the same time that the main source of labor productivity increases is an increased capital asset per worker ratio, then labor productivity increases must equal the product of the index of capital assets per worker growth and improved capital asset efficiency. If we project, for instance, an increase of 10 percent in the capital asset per worker ratio and a 5 percent increase in capital asset efficiency, then labor productivity must increase by 15.50 percent (1.1×1.05). A number of such relationships can be deduced from the

pyramid and system of inequalities. (see citations 1 and 2 and the publication M. Synek, Economic Calculations and Industrial Enterprise Management (Vypocty v ekonomice a rizeni prumysloveho podniku) Prague, State Publishing House for Technical Literature/ALFA, 1984.

Pyramid Analysis Applied to Industrial Development

We will demonstrate the application of pyramid analysis by applying it to the growth of Czechoslovak industry in the Seventh 5-Year Plan. We will take a look at 1980, the year preceding the Seventh 5-Year Plan, and at 1985, the final year of the plan.

The input data are in Table 1 (above). Table 2 shows the calculated averages, while Table 3 shows the elementary factors affecting return on capital assets.

Table 2. Ratios Between Indicators

Symbols/Indicators	Period		Difference 1985-1980	Index 1985/1980
	1980	1985		
Z/F	0,076,709	0,071,881	-0,004,828	0,937,065
Z/VYK	0,104,354	0,100,266	-0,004,088	0,960,829
F/VYK	1,360,392	1,394,888	+0,034,496	1,025,357
N/VYK	0,895,646	0,899,734	+0,004,088	1,004,564
ODP/VYK	0,043,109	0,044,244	+0,001,135	1,026,329
MZD/VYK	0,124,557	0,110,075	-0,014,482	0,883,732
SNP/VYK	0,011,399	0,012,039	+0,000,640	1,056,145
FN/VYK	0,061,752	0,062,625	+0,000,873	1,014,142
MPP/VYK	0,002,103	0,002,043	-0,000,060	0,971,469
MAT/VYK	0,652,725	0,668,475	+0,015,750	1,024,485
ZAS/VYK	0,268,757	0,260,506	-0,008,249	0,969,306
ZP/VYK	1,091,636	1,134,372	+0,042,736	1,039,149
MZD/P	0,032,341	0,036,540	+0,004,199	1,129,828
VYK/P	0,259,650	0,331,960	+0,072,310	1,278,475
UVL VYK/P	0,086,664	0,105,377	+0,018,713	1,215,926
UVL VYK/VYK	0,333,773	0,317,443	-0,016,330	0,950,376
ZP/UVL VYK	3,270,598	3,573,494	+0,302,890	1,092,612
ZP/ODP	25,332,382	25,639,098	+0,316,716	1,012,507
ZASV/VYK	0,144,322	0,140,413	-0,003,908	0,972,915
ZASO/VYK	0,124,435	0,120,093	-0,004,341	0,965,106
MAT/ZASV	4,522,719	4,760,773	+0,238,054	1,052,635
ZP/P	0,283,443	0,376,565	+0,093,122	1,328,538

Between 1980 and 1985 return on assets declined by 6.29 percent (index 0.937065). This means that for every koruna in capital assets Czechoslovak industry made 0.48 halers less profit. From pyramid analysis it is clear that this negative development was caused both by an increase in the costliness of output (an increase of 0.41 halers per koruna, or 0.46 percent) which was evident in a decline in the return on assets of 3.87 percent, as well as an increase in the capital requirements for a given output (an increase of

3.45 halers per koruna, or 2.54 percent), which was evident in a decline in return on assets of 2.42 percent (see Table 1). In the previous section we defined the numbers 3.87 and 2.42 as relative individual increases, which were arrived at with the technique of breaking down increases in the composite indicator (in this case return on assets) based on the logarithm indexes of the individual indicators (in this case the costs of output and the capital requirements for output).

A critical factor in the increasing costs of output was an increase in materials costs (by 1.57 halers per koruna, or 2.45 percent). This directly lowered return on assets by 15.13 percent, but overall, thanks to the indirect influence of labor productivity, by only 4.26 percent (see Table 3). The decline in wage requirements for a given output had a positive impact (+13.71 percent on return on assets). This came about through an increase in labor productivity, VYK/P , of 27.85 percent which compensated for a relatively high increase in average wages 12.98 percent relative to increased labor productivity. Increases in financial costs, depreciation, and nonmaterial services had a negative impact on return on assets. On the other hand reduced shortfalls, penalties and fines had a positive impact on outputs. The cost side of the pyramid also indicates a positive role for increased labor productivity measured by adjusted values added (+21.69 percent), adjusted value added as a percentage of output (+5.56 percent and +2.06 percent), and a negative impact from increasing capital asset requirements per increase in adjusted value added. This is confirmed by a look at the capital side of the pyramid, where we see that this increase reduced the return on assets by 2.99 percent. A decline in inventory requirements per unit of output could not compensate fully for this influence, but only decreased it by 0.57 percent. The impact of the decline in production and other inventory requirements per unit of output had roughly the same impact (0.27 and 0.30 percent).

The main areas of potential for increasing the return on assets for industry are clearly a reduction in capital asset requirements per unit of output, a reduction in production costs (mainly materials and depreciation charges, but also financial and nonmaterial service costs) and an increase in labor productivity. Labor productivity increased in the Seventh 5-Year Plan mainly thanks to a higher capital asset per worker ratio. The latter increased to Kcs 93,122 per employee, an increase of 32.85 percent. Labor productivity increased, however, only by 27.85 percent, which confirms that there was a decline in capital asset efficiency.

The application of the system of inequalities further confirms the results of the pyramid analysis. By inserting the indexes from Table 1 into the system of inequalities one obtains the following:

I_Z	$I_{UVL VYK}$	I_{VYK}	I_{ZP}	I_{MZD}	I_P
1.26	1.25	1.31	1.36	1.16	1.03

The system of inequalities thus shows that both profits and adjusted value added should have been greater. On the other hand the increase in the capital stock stands out, indicating that it is out of line relative to the other areas.

Table 3. Elementary Factors in Efficiency

<u>Symbol</u>	<u>Individual Relative Increase (percent)</u>
MAT/VYK	- 4.28
FN/VYK	- 0.83
SNP/VYK	- 0.16
MPP/VYK	+ 0.02
MZD/P	-13.54
UVL VYK/P	+21.69
ZP/UVL VYK	-10.53
ZP/ODP	+ 0.51
MAT/ZASV	+ 0.51
ZASO/VYK	+ 0.30
Total	- 6.29

In conclusion one may state that the critical positive result of Czechoslovak industrial growth in the Seventh 5-Year Plan was increased output. This was not such that it corresponded to the increased resources committed in order to achieve it, especially capital assets. This indicates that our industry is still developing extensively, meaning that increases in output require relatively large increases in inputs.

To overcome this type of development the 17th CZPZ Congress resolved "To make substantial progress in intensifying the national economy in the current 5-year plan." National economic intensification is also the objective of the Program Decree of the government of the Czechoslovak Socialist Republic, dated 24 June 1986. This document underlines the need to intensify the utilization of all resources, above all the capital stock. "Stopping the trend towards declining capital asset utilization efficiency is an exceptionally difficult task facing all ministries and economic entities." The above analysis fully confirms the necessity for completing this task.

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FRG MONTHLY ANALYZES SHORT TERM NATIONAL ECONOMY

Cologne DEUTSCHLAND ARCHIV in German Vol 20 No 4, Apr 87 (signed to press
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[Article by Dr Hannsjoerg Buck, department head at the Gesamtdeutsches Institut in Bonn: "The GDR's 1987 National Budget and the GDR National Leadership's Financial Policy To 1990"]

[Text] In view of the dominant role of state owned property with regard to capital goods and the overwhelming centralization at government level of the power to exercise economic control, the national budget in the GDR represents the "ledger of the economy and of society" to a far greater extent than in the FRG. Among the monetary tools of control (monetary, banking, credit, interest and budget policy), budget policy is the most important. In the GDR, the national treasury constitutes the largest capital reservoir. Approximately 75-80 percent of the national income are concentrated in the state budget each year and spent on the accomplishment of usually centrally selected economic and sociopolitical objectives. Due to the combination of the central planning of economic development and the extreme concentration of national capital in the national treasury, the GDR state budget plan serves the government as the "chief financial plan of the national economy." The budget finances incomparably more production, investment and rationalization measures in the sector of enterprises than it does in the FRG's market economy. As, in the Soviet socialist economic system almost all products manufactured in the national economy are converted to "public commodities," the function of the GDR state budget--unlike that in the FRG--is not confined primarily to financing a set supply of traditional public services (popular education, health care, public health, care for seniors, fire brigades, the protection of legal rights, road construction, assistance to science and the arts) and, in addition, facilitating the production of some selected meritorious commodities and services (such as the operation of garbage removal and park maintenance by state enterprises).

In the GDR economic system, the national treasury and budget policy are compelled to take on a virtually unlimited amount of financial, incentive, control, stabilization and redistribution tasks.(1) Consequently, state budget plans and the budget account of the GDR Government serve as a compass indicating the economic and sociopolitical policy pursued as well as a criterion of the incidence and extent of political and economic difficulties.

I. The 1987 State Budget Plan Unanimously Adopted as Usual

As in all previous years, the People's Chamber--without any objection or alternative proposal--unanimously agreed the state budget plan submitted by the government.(2) Minister for Finance Hoefner introduced and briefly commented the GDR leadership's financial program for 1987.(3) According to him, the state budget rests "on secure foundations." The 1987 spending program planned for the education, social and health care systems was said to be the perfect proof of the "real humanism" practiced by the SED government.

Speeches at the People's Chamber session and the Third CC Plenum held shortly before (20/21 November 1986) described the state budget plan and the simultaneously enacted 1987 economic plan as important stages on the way to the desired comprehensive modernization and intensification of the GDR national economy through 1990.(4)

II. The Planned Expansion of the Budget Volume

In 1987 the GDR public treasury intends to generate revenues in the amount of M238,591 million. This volume of the total public budget includes the revenues of the central state (= republic) as well as the budget incomes of local state organs at district, kreis and municipal level. These regional budgets are linked to the united budget of the national state in accordance with the interaction principle.

The central budget of the republic will have the benefit of 78 percent of total revenues, while 22 percent of budget revenues are to go to the budgets of districts, kreises and municipalities in the shape of direct revenues or allocations.

Augmented by the social security contributions paid by people gainfully employed and their employers--for accounting purposes their special funds, complete with all revenues and expenditures, are included in the volume of the integrated public budget of the GDR--, and according to the GDR budget order, we get a budget volume in the amount of M256,301 million.

Related to the budget volume planned for 1986 (total revenues excluding contributions paid to social security), the GDR economic leadership aspires to a 5.7 increase in 1987 budget revenues and expenditures (see Table 1). Actual budget growth in 1987, though, will depend only in part on budget policy and the precalculations of the budget planners. Since the late 1970's, the economic leadership has been plagued by an increasing excess of money. This is caused by growing disproportions between the growth of the money supply and the augmentation of the domestic supply of commodities. High extra-budgetary and unusable revenue surpluses for the treasury are the consequences of this aberration (see Table 2). Despite the repeated GDR Government's repeated claims to the contrary, the collection of billions of unplanned budget surpluses in the treasury of a centrally planned economy is not an unmistakeable proof of great monetary stability, frugal budget policy

and sound economic policy. Such accumulations of unconsumable budget moneys serve as significant evidence of the fact that the total money supply in the GDR is growing at a noticeably faster rate than the possibilities for simultaneously raising the domestic supply of goods and services. Whenever a centrally planned economy is confronted with an uncoordinated expansion of monetary and commodity circulation at usually rigid and state imposed prices, some of the excess money (equaling unusable purchasing power) accumulates in the national treasury in the form of "above planned budget reserves and budget surpluses." Since the late 1970's, the real capacity of the GDR economy has been seriously limited by the lack of commodities and by supply gaps. If, instead, sufficient raw materials, energy, semifinished goods, investable resources and free production capacities were available for the production of goods and services, the state leadership would not hesitate for a single moment to promptly use the unexpected excess revenues to achieve more political targets and raise the supply of public services.

In the course of the past 5-year plan period (1981-1985), the GDR Government increased its actual revenues and expenditures by average 8.5 percent per annum. In view of this rate of growth, the GDR appears in the second half of the 1980's to aspire only to a moderate rate of expansion of the total public budget. It seems that the government considers adequate the extent of centralization of the national income in the united budget of the state as a whole (the currently achieved amount of the "state quota," measured as a percentage of total state expenditures in the produced national income--more than 75 percent).

III. The Structure of Government Revenues and the Fiscal Yield of the Various Sources of Taxation

Following the turbulent readjustment of the state procurement of funds in 1984/1985, the new budget year offers neither surprises nor innovations in the revenue aspect of the state budget. From 1984 on, the taxation of state enterprises in GDR industry (VEB's, combines) and from 1985 that of construction enterprises was readjusted from a "two-channel" to a "three-channel" tax system. Instead of the former taxation of profits and capital input by means of a net profit tax and a production fund tax, a payroll tax was introduced for the first time in the GDR's financial history.(5) The new tax was given the innocuous label "contribution to social funds." However, from the standpoint of the GDR, far more than half the use of funds by the "total public budget" represent spending from "social funds." In fact, therefore, this label would be appropriate for all taxes and levies benefiting the state treasury. The readjustment procedure for enterprise taxation, initiated in 1984, has still not been concluded. Its implementation overwhelmed the economic and financial authorities (among others) with a flood of appeals by combines and state enterprises--either for tax relief with respect to profit and capital taxes or for the payment of subsidies to secure the solvency of the production organizations (the grant of sales price surcharges and other subsidies). As this merry-go-round of to and fro money transfers with its tremendous administrative costs is still largely in effect, it is unlikely that new tax reforms are planned at least before 1990, in case they have similar consequences.

1. The Contribution of Corporate Taxes to the 1987 State Procurement of Funds

Since the mid-1970's, the taxes paid by the enterprises and combines of the state economy (excluding state farms) as well as state banks have represented the most lucrative source of revenues for the GDR tax system. In the term of the last 5-year plan (1981-1985), corporation taxes paid by the state owned economy yielded an average of 48 percent of total revenues (total receipts excluding social security contributions by employers and employees).

It is not possible from the state budget plan to gauge the tax revenues that the GDR fisc expects to be yielded by the state economy (excluding VEG's [state farms]) in 1987. The breakdowns of the amounts of revenues in the state budget plan presented by the East Berlin Government always differ from the actual data of the budget account for previous years. It is therefore possible only to approximately calculate the revenues expected for 1987 from the state economy.

Using the plan drafts of the budget program and the budget speech by the GDR Minister for Finance, we calculate that the state economy (excluding state farms) is expected to pay roughly M148 billion in 1987. This means that the government is calling on the state economy in the new economic year to make a substantially greater contribution to the treasury and the financing of public tasks than it did in 1981-1985. By its 1987 tax payments the state economy is to yield roughly 62 percent of all state revenues.

Most likely these high-flown revenue expectations will fail to be met. In 1985, for instance, the economic leadership had hoped to be able to obtain M114 billion corporation taxes (planned percentage of contributions to the state treasury in 1985: 53 percent). In fact, though, the GDR fisc got only M104.5 billion corporation taxes, in other words some M9.5 billion less than planned. The state economy's actual financial contribution to the budget therefore amounted to 48 percent.

As in the past, the 1987 state budget plan does not provide data on the revenues to be expected from the various corporation taxes. 1985 tax payments by the state economy amounted to (rounded off) 39 percent from the profit tax (net profit tax), 27 percent from the capital tax (production fund tax and trading fund levy), 26 percent from the payroll tax and 8 percent from the profit taxes paid by the banks and land use fees (0.1 percent) (see also the graph on the structure and functions of corporation taxation in the GDR). At the time the economic leadership was primarily interested in testing whether the new "three-channel taxation system" actually provided the expected fiscal yield and economic control capacity. It is therefore likely that the 1987 yield structure of the state economy's tax payments will be similar to that of 1985 (see Table 3).

2. Budget Revenues from Farm Taxes

The GDR fisc expects agriculture to yield considerably greater tax revenues in 1987. In his budget speech, Finance Minister Hoefner stressed that the government expects the increase in hectare yields promised by farm enterprises

and the production successes in livestock production aspired to will lead in 1987 also to "rising profit tax payments by the state farms and the enterprises of the food industry as well as (increased revenues) from the taxes paid by agricultural producer cooperatives." These expectations are quite justified. Following the massive rise in the producer prices for farm products in the course of the 1984-1985 "farm price reform," the income situation of state and collectivized farm enterprises (VEG's, LPG's) has improved considerably.(6) For the GDR fisc this has resulted in substantially greater tax revenues in the last 2 years.(7) This welcome fiscal development also benefited from the fact that the VEG's and LPG's were able in the last 2 years to bring in record harvests.

1984 state revenues obtained from farm taxation achieved 3 1/2 times the total received from the same source in 1983 (1983 revenues paid by agriculture: M1,424 million; 1984: M5,102 million). The tax yield from the same source rose by another almost M800 million in 1985 (revenue increase achieved in 1985 by comparison with 1984: 15.6 percent; the total of farm taxes received in 1985: M5,897 million).

Based on planned and actual revenues obtained from agriculture since 1984, it appears that the GDR Government counts on a financial yield of M7-7.3 billion farm taxes to be paid in 1987 by the LPG's.

3. Tax Yields from the Non-Nationalized Sector of the Economy and from Taxes on Personal Incomes and Net Assets

The budget plan once again yields few data on the amount of the revenues expected to arise from the various taxes and other sources of income. In addition to the overall estimates of the revenues to be yielded by the state economy by way of corporation taxes and some other revenue headings that list the probable earnings arising to the treasury from the sale of some services, the GDR Government shows only a dubious collective heading "taxes and levies" on the revenue side of the budget. This heading includes all revenues from taxes paid by enterprises not part of the state owned sector of the economy (but excluding the farm taxes paid by the LPG's) and also records the revenues yielded by personal income and property taxes. This presentation of the types of state income by taxpayer type of ownership is due to ideological reasons. Money paid to the fisc by GDR state enterprises (VEB, combines) and, lately, the compulsory contributions by fully collectivized farm enterprises are not described as "taxes." Consequent upon the revolutionary change in the production conditions, these payments are claimed to represent the earned income of the state, yielded by its own production enterprises. According to the linguistic usage of Marxist political economists, taxes are paid only by private craftsmen, PGH's [artisan producer cooperatives], retail commission agents, private businessmen and private households (blue and white collar workers; the self-employed). This collection of tax types and taxpayer groups is expected to yield a total of M19,662.4 million to the national treasury in 1987. Referring to the same plan estimate for the 1986 budget year, the GDR financial administration hopes for an 8.6 percent rise in 1987 revenues from these various sources of taxation.

Total yields from these tax sources may be expected to produce a little more than 8 percent of total revenues (total budget income excluding contributions to social security). This financial contribution corresponds to the yield achieved by these tax sources in the last few years. Blue and white collar workers as well as the self-employed account for about half of the tax yield from these sources (4 percent of total income) in the form of wage and income tax. In 1985 revenues from taxes paid on earned income amounted to about M8.53 billion. The fisc expects in 1987 to receive roughly M9.3 billion from wage and income taxes.

The contribution to the treasury by private commerce, the artisan cooperatives and commission traders are likely to be slightly more than 4 percent of total revenues in 1987 also. Not quite half this percentage will probably come from the PGH's (M4.3 billion in 1985), while the other slightly bigger half will be paid by private craftsmen, commission traders and private business (1984: M4.4 billion).

IV. Key Objectives of the GDR's Spending Policy in the 1987 Budget Year and Through 1990

Due to the fact that 1986 actual expenditures were not yet available when the 1987 budget plan was enacted, predictions of the GDR Government's intentions for raising expenditure in the new budget year can be based only on a comparison with the plan figures of the 1986 budget plan.

1. Financial Recovery, Treasury Assistance and Subsidies to State Enterprises

In contrast to spending plans for 1986, the economic leadership has sharply boosted 1987 budget spending on subsidies and financial assistance to the state economy. According to the 1986 plan budget, the government had intended in 1986 to make do with a mere 3.9 percent rise in the spending on subsidies and financial assistance to the state economy (excluding state enterprises of the food industry and state farms). By contrast, financial planners have calculated that state owned enterprises of industry, construction, trade and transportation will, in 1987, require 15.7 percent more allocations from the state budget. Overall the GDR state economy (excluding VEG's and the food industry VEB's) will call for M76,677 million state financial assistance. This money is needed, among others, for financial aid to cover losses and help the recovery of unprofitable state enterprises. Moreover, the state is always required to provide financial assistance if combines are unable to finance centrally ordered high-cost rationalization and investment projects from the accumulated reserves in their investment funds. In addition some of this money serves the stimulation and reward of new initiatives at the enterprise level for increasing output and improving the quality of the goods produced.

According to the budget plans, state budget spending on the direct support and assistance of the state economy more than doubled in just 5 years (1982 plan estimate for this general expense heading: M32,996; 1987 plan estimate: M76,677; planned rise in spending in the new budget year compared with 1982: 137 percent).

If, by way of comparison, we look at de facto spending, the actual need for subsidies in the state economy for the purpose of recovery and assistance also shows a sharp rise, though not at an equally exorbitant rate of expansion. By comparison with the 1982 budget, 41 percent more budget resources were used for these purposes in 1985 (excluding financial aid to the VEG's).

Though at certain intervals some voices in the GDR call for a resolute decrease in budget subsidies and the state enterprises and combines are called upon to work profitably and to earn the capital needed for their replacement and expansion investments, the budget plans and budget accounts clearly show that the GDR state economy is farther than ever from the realization of this objective. In economic terms it is therefore fairly meaningless for the state economy to be obligated to pay approximately 20 percent more taxes in 1987 while expected to receive from the same treasury about 16 percent more subsidies and subventions than in 1986.

2. Less Subsidies to Agriculture and Forestry

So far the economic leadership has succeeded only in lowering subsidies to agriculture and forestry. When the farm price reform took effect in 1984/1985, the profitability of farm enterprises at once and considerably improved. From 1984 it was therefore possible to gradually reduce subsidies to this sector of the economy. For the new budget year also the government plans a 6 percent decrease in the subsidies for reducing the prices of capital equipment purchased by agriculture and a 4 percent cut in allocations for other maintenance and support subsidies for enterprises of agriculture, forestry and water management. The economic leadership had envisioned even greater subsidy savings in the 1986 economic year just concluded. By comparison with 1985 cuts on the order of 26 percent were planned for the first heading and 18 percent for the second.

3. More Increases in Price Support for Basic Commodities and Services for the General Public

The value of the successes scored in the reduction of subsidies to agriculture is vitiated by the fact that they were realized at the expense of higher price subsidies for basic consumer goods. The government ordered, for example, that the price of basic foods had to be kept the same even after the hefty rise in farm producer prices. Consequently, price subsidies for these commodities rose to a similar extent in the aftermath of the farm price reform.

The government uses these subsidies to close the gap between the lower prices to final consumers and the higher purchase prices decreed in consideration of the cost of producing the commodities. The processing industry for agricultural raw materials, the food industry and the food trade are the beneficiaries of these subsidies. Without such compensation payments they would actually be insolven.

The budget account (actual balance sheet) submitted for 1983/1984 by the GDR Council of Ministers provides a most impressive example for the consequences of this policy of split prices. While, by comparison with 1983, budget allocations for direct subsidies and assistance to agriculture could be lowered by 59 percent or M7.32 billion, a total of M8.54 billion or roughly 71 percent more had to be made available for subsidizing the retail prices of basic foods, fixed well below production costs.

With a view to the trend of the burden of subsidies, the government may record a success in the new budget only in so far as the cost of using subsidies to keep maintain retail prices below the cost of producing consumer goods will not rise at quite the same gallop in 1987 as in previous years. Judging by the plan estimates, 1987 price subsidies will cost the treasury only 5.6 percent more than they did in 1986. Overall the support of high and performance inspiring producer prices on the one hand and the administrative reduction of final consumer prices of basic foods, domestic fuel, selected socially important industrial commodities (such as children's footwear), utilities (electricity, gas, water) and passenger traffic will swallow M48,8420 million. By comparison subsidy requirements rose much faster in previous years. In 1984, for example, was compelled to raise the plan estimate for this heading by about 52 percent, in 1985 by 21 percent and in 1986 by more than 15 percent.

Even some GDR economists warningly point out that an income and social policy involving artificially cheap consumer goods and services is extremely questionable in economic terms, because it encourages waste, provokes the uneconomic use of resources and, moreover, mainly benefits the wrong (that is high-income) population groups. Nevertheless, as the just adopted 5-year plan shows, the GDR Government persists in keeping up its price support and price manipulation policy through 1990.

4. Increase in Government Spending on Research and Development and for the Transfer of Research Results to Daily Production

In 1987, M13 billion are to be spent in the GDR on raising the output of inventions, providing incentives for innovations and their application as well as speeding up technical advances. This is roughly 12 percent more than were made available for this purpose in 1986 (see Table 4). Enterprises, combines and production cooperatives are to provide around 74 percent of the planned spending on R and D. The government intends to contribute M3.4 billion to the implementation of the R and D program tackled in 1987 (26 percent of the total financial allocations for R and D projects in the national economy as a whole).

The GDR is planning in the period through 1990 to raise government and industrial spending on R and D (science and technology) by 9.2 percent average each year.(8) In the preceding period (1981-1985) an average of 6.1 percent more financial resources were made available each year for R and D (see Table 4). The GDR spent a total of M42,219 million on assistance to research and science, development programs and the transfer of innovations to daily production in the first half of the 1980's.

The new spending plans through 1990 show that the government intends in the current 5-year plan period to embark on a new push to conquer the state economy's much deplored inertia by a substantial rise in spending and thereby to become more competitive on international markets. Actual spending on R and D in 1985 amounted to M9,498 million. In 1986-1990 it is planned to spend a total of M62,320 million on R and D operations. This is an almost 48 percent rise compared with 1981-1985.

However, there is quite a discrepancy in these plans. The average 9.2 percent rise in spending planned per annum from 1985 yields a planned spending volume of roughly M11.3 billion for 1987. By contrast GDR Finance Minister Hoefner announced in his budget speech that the annual plan enacted on 27 November 1986 provided for "a total of M13 billion" to be spent by the GDR in 1987 "including M3.4 billion from the state budget" (see also Table 4).⁽⁹⁾ If, as per the 5-year plan, the rise in spending were to remain at 9.2 percent, the amount of M13 billion would not be achieved until 1989. It is impossible at this time to elucidate the reason for this discrepancy in the GDR's 5-year and annual plans for R and D.

A warning note needs to be sounded in this connection: The innovative yield of the GDR economy and the output of inventions, patents and licenses can be raised to only a limited extent by the increasingly generous provision of finance capital. Rather than money, one of the first conditions for simply tackling new R and D projects is the availability of sufficient quantities of materials, apparatus, machines, energy, planning resources, data banks and computers as well as of manpower in laboratories, trial facilities, planning bureaus, design workshops, model construction enterprises and testing institutes. And here, precisely, the GDR suffers from innumerable bottlenecks that preclude the desired spirited expansion of R and D operations. That is also the reason why, in 1981-1985, academies, universities, scientific-technological centers, research institutes and combines used no more than an average of 88 percent of the money allocated for R and D. According to the estimates for the 1981-1985 5-Year Plan, an average of M10-10.4 billion were to be spent each year on scientific research and development. Due to bottlenecks in terms of materials and personnel, the research facilities were able on the average to use and call upon only slightly more than M8.4 billion per annum (about 82 percent of the money made available).

The Academy of Sciences (AdW) was most affected by the scarcity of resources and personnel. The 1981-1985 budget made available M4,150 million to the AdW, but the research facilities of the academy were able only to use 73 percent of this amount (M2,997 million (see Table 5). While the state owned enterprises succeeded by the mobilization of enterprise internal reserves, compensation transactions and by poaching research personnel to at least circumvent the bottlenecks caused by materials and personnel shortages, the Academy of Sciences depended on inadequate government allocations and, due to lacking opportunities, was unable itself to organize relieving procurement operations. The information conveyed by these figures assumes full significance only when we imagine what would happen if the major research organizations in the FRG (the Max-Planck Society, Fraunhofer Society and the 48 major federal and Laender research facilities) ⁽¹⁰⁾ were to return to the government 27 percent of the money allocated to them for basic research in the space of 5 years,

simply because the materials and scholars required to carry out the planned research projects could not be procured.

The GDR economic leadership has never yet published the end purposes of the total annually spent on R and D nor the amounts allocated to the various scientific disciplines, fields of research, sections of technology, business and industry sectors and stages of innovation. Nor do we have many data on the structure of the GDR research potential. Only the state budget offers some information about the use of resources for R and D. In 1985 the treasury made available some M3.4 billion or about 36 percent of all money spent on R and D. Not quite half (44 percent) served to subsidize industrial research and the implementation of R and D projects in the construction industry, transportation and commerce. Some 12 percent of the money allocated went to R and D in agriculture and forestry. The Academy of Sciences was given 21 percent and the universities 13 percent of the subsidies paid (research contracts, subsidies earmarked for specific projects and the institutions' own research initiatives. The research facilities of the government and economic administration received 5 percent and sociological research at academies and universities another 5 percent of total subsidies paid.

According to the new policy for raising the yield of inventions and innovations, developed and enacted by the SED leadership in 1984/1985, the government intends to largely withdraw from direct financial support for research and development operations. State owned enterprises and combines are increasingly to take over the action. The state owned economy was therefore directed to earn and save in their money capital funds (especially the "science and technology fund), the capital required in the course of the ordinary renewal of their production programs for process and production innovations. Parallel to this restructuring of financial sources, almost two thirds of the research capacities at the science academies and universities (AdW, Construction Academy, Academy of Agricultural Sciences, miscellaneous academies, and so on) are intended by 1990 and by way of specific research contracts to serve the combines in industry, the construction industry and transportation. The GDR Government expects such a controlled use and the strict supervision of research at the academies and universities by the future users of the research results to achieve greater interaction between science and production, mutually beneficial effects on the profile and standard of basic research and the multiplication of the GDR's intellectual potential.(11) The conversion from budget to enterprise financing, in particular, is hoped to result in the more careful planning of R and D, the discovery of more really promising research orientations and the more efficient use of the money made available for basic and applied research.(12) By the end of 1985, the combines had already claimed 33 percent and by the end of 1986 47 percent of the research potential of the Academy of Sciences, based on coordination and performance contracts.(13) Still, the gradual decentralization of research financing had not progressed a great deal by the end of 1985. In that year some 34 percent of actual government and economy spending on R and D were still provided by the state budget. This subsidy was not much lower than in 1980, when the treasury provided 37 percent of the money spent on R and D.

It remains to be seen whether the enterprises will in fact overwhelmingly finance R and D projects in 1987, leaving the state budget to find only

24 percent (as was planned for 1986). Justified doubts remain with regard to the seriousness of the alleged decentralization of research financing. After all, if state budget spending on R and D rises by 21.4 percent as planned (compared with 1986) and enterprise spending by only 9.1 percent, the ratio of enterprise involvement in the financing of R and D projects is bound to drop again--at least by comparison with 1986.

5. Spending on New Construction, the Modernization and Repair of Housing Units

As in the past 6 years (1981-1986), building repairs for the preservation of the housing substance and modernization measures will enjoy priority over the construction of new residential buildings in 1987, too. While government spending on new housing construction is to be cut by 9.3 percent in 1987 by comparison with the previous year, spending on modernization for improving the residential quality of old apartments is to be raised by 3.5 percent and on repairs for the preservation of the old building substance by 6.1 percent.

The following data demonstrate the resolute reorientation of housing construction since 1980--from an initially overwhelming priority for new construction to the rescue and modernization of the old building stock: As late as 1980, the total of new construction amounted for 169,223 or 71 percent of completed housing units. In 1987 only just under 56 percent of the housing units completed are to be derived from new construction (1987 plan estimate: 210,110 finished residential units).

6. The Effects of the Oil Price Explosion of the 1970's on Spending on Transportation

Until the early 1980's the GDR transportation system (with the exception of the three overseas ports Rostock, Wismar and Stralsund) was among the economic sectors treated like stepchildren by the economic leadership with regard to central capital distribution. Due to the chronic shortage of capital assets (materials, replacement parts, equipment, other investment goods) and the 30 years' priority enjoyed in the matter of investment goods demand by the energy industry, the industries most important from the aspect of development (metallurgy, chemicals, plant and machine construction, electrical engineering, electronics and equipment construction), the armed forces and state security organs as well as housing construction (from 1972/1973), the investment capital left for the modernization and expansion of transportation was entirely insufficient until the beginning of the 1980's. In 1978/1979-1982/1983, the per capita amount spent by the state budget on transportation (excluding money for expansion investments) did not rise at all (1978 per capita expenditure: M198; 1983: M193). In view of the repeated considerable rise in domestic prices for energy, materials, construction materials, replacement parts, equipment, repairs and manpower, in particular from 1977/1978 on, the 5-year stagnation of per capita spending is bound to be a sure indicator of the fact that carriers received even fewer capital assets for carrying out replacement investments and modernization than in the mid-1970's.

Following the explosive rise of oil prices on the world market and, subsequently, the CEMA market from 1974/1975 on, the GDR was compelled to radically alter its transportation policy. The consumption of exceedingly expensive oil needed to be drastically cut and replaced by other sources of energy. Stringent measures were used in order to as rapidly as possible shift many transports from the roads (trucking) to the railroads and inland waterways. At the same time the economic leadership multiplied its efforts for converting the railroads from the prevailing use of diesel engines to formerly disregarded electrical traction.(14). That was the reason why, from 1980 on, the rate of electrification was increasingly speeded up for the two main rail routes--from the Saxon industrial region in the south of the GDR (Dresden, Leipzig, Halle, Cottbus) to the overseas port of Rostock, via East Berlin and via Magdeburg respectively. The costly program for modernizing the GDR railroad and increasing the transport performance of inland shipping and the network of waterways resulted in a steep rise of budget expenditure on the transportation system from 1982 on (see Table 6).

Despite this unusual expansion of transportation expenditure, industry and the construction industry, defense, the internal security of the SED regime and housing construction remained the areas favored by GDR budget policy.

The East Berlin Government has always kept strict secrecy with regard to the cost to the state budget of expansion investments pure and simple in the transportation system (for example the cost involved in the construction of the new rail ferry port--Mukran--on Ruegen and its connection to the GDR rail network). This money is not included in the per capita spending cited above (see Table 6).

7. The Rise in Government Spending on Health Care and Social Security

According to the budget plan, government spending on health care and social security will rise by 17 percent in 1987, due to additional social services provided for mothers and children. This expansion is primarily caused by the massive increase in children's allowances as of 1 May 1987. They have been raised from M20 to M30 per month for the first child, from M20 to M100 for the second and from M100 to M150 for the third and subsequent offspring.

The budget is incurring yet more expenses by the fact that, as of 1 May 1986, paid leave for working mothers compelled to look after sick children was extended to all women employees with two children. Moreover, also since 1 May 1986, all women are awarded a paid "baby year" already at the birth of their first child.(15)

The social improvements decided at the Eleventh SED Party Congress (17-24 April 1986) impose additional expenditures in the amount of M1.8 billion on the 1987 budget. Consequently government spending on children's allowances, birth subsidies, pregnancy and maternity benefits as well as paid temporary leave for working mothers (baby year and leave for taking care of sick children) is rising from about M2.8 billion in 1986 to roughly M4.6 billion in 1987 (see Table 7).

According to Honecker's statements at the Eleventh SED Party Congress, the new social benefits are to help "sensibly diminish the difference in the per capita incomes of households with children and those without children."

The family oriented subsidies decided at the Eleventh SED Party Congress also include some new relief measures for young married couples who need a consumer loan to set up their own household.

As long ago as 1972 young married couples in the GDR were offered the opportunity to obtain an interest-free loan up to M5,000 each for the purchase of household furnishings or an apartment--specially in cooperative housing construction. These favorable credit conditions were offered if the spouses were less than 26 years old, married for the first time and, together, earned no more than M1,400 per month. The loan had to be repaid within 8 years. M1,000 were waived at the birth of the first child, M1,500 at the birth of the second child, M2,500 at the birth of the third and each subsequent child. However, borrowers do not receive cash for the purchase of household furnishings. Instead the bank issues a "letter of credit" for the total loan amount. This does not enable them to purchase just any consumer item sold by retail stores; they are limited to commodities specially chosen by the Ministry for Trade and Supply for sale on credit.

The conditions for loans at preferential terms to young married couples were gradually eased in the 1970's and 1980s, in order to help more young couples to obtain these loans. The income limit was the first to go, followed by the condition of the marriage being the first for both parties, and finally children from a former marriage or born before marriage were allowed to count for the purposes of the repayment waiver.

Consonant with the directives of the Eleventh SED Party Congress, the age limit was raised from 26 to 30 in April 1986, while the maximum loan amounts increased from M5,000 to M7,000. The normal term, formerly 8 years, was extended by 3 years to a total of 11 years.(16) Actually the SED leadership did not decide on these improvements in the terms of the loans only in order to expand its system of social preferences and make the GDR more attractive as "a social state." The measures involved were long overdue and needed to compensate young couples for the enormous rise in the price of household furnishings that occurred in the past 5 years.

In the 14 years 1972-1985, young couples obtained 1,079,276 consumer loans at preferential terms. More than 90 percent of all couples in the age group concerned take a loan to establish a household after they are married. The loan amount paid per loan contract amounted to an average of M6,000. GDR banks and savings and loan companies serving the public granted loans in a total amount of M6,492.3 million to young couples in the time-frame 1972-1985. A young couple may obtain only one such loan. As it may have several children during the term of the loan contract, the incidence of waivers exceeds that of loan contracts concluded. In 1972-1985 part of the loan amount was waived in 1,388,381 cases--for some small loan amounts the entire debt. The waiver of part of the repayment obligation upon the birth of children cost the GDR fisc M1,667.2 million of public funds in 1972-1985. The banks making the loans are the recipients of these budget funds.

The GDR introduced this range of sociopolitical innovations not only to provide a considerable improvement in the income situation and the social security of families and mothers with small children, it also entered on a new round in the competition with the FRG for the most satisfactory social security system. The 1987 budget makes available a total of M4.8 billion for compensation payments to families and assistance to households with children (see Table 7). From 1987 at the latest, the GDR is likely to boast the widest and most generous government assistance system for families and children in the socialist camp.

The GDR has been able since 1979 to record a slight surplus of births. Before that it had registered a relatively much higher death rate. However, even this slight excess has been shrinking steadily since 1982. In general, the small surplus of births was not enough to stem the population decline because definitely nullified by the numbers of refugees and emigrants. It would mean an unprecedented triumph for the SED leadership if it were to succeed in starting a baby boom that would stop the many years of population decline and actually reverse it. In the international arena it could use such a turnaround as evidence of the GDR population's assent to SED policies. The SED hopes that the extraordinary increase in family allowances from 1 May 1987 and the effect of the new social assistance and social security measures for mothers and young families will serve the achievement of this population policy objective. In any case, family allowance payments for families with two and more children will represent a handsome amount on the revenue side of the family budget.

8. A Hefty Rise in the Culture and Propaganda Budget

The government leadership allocated considerably larger amounts of money in 1987 than in 1986 to meet the regular costs of cultural facilities and the organization of cultural and entertainment events as well as propaganda meetings. 1987 spending in this sector will therefore rise disproportionately by comparison with the expansion of the total budget. (Increase in this item of expenditure in 1987: 12.2 percent; planned growth of the total budget: 5.7 percent.)

This rise in spending is likely to be due mainly to the reconstruction (now concluded) and the complete restoration of some prestigious historic buildings, also by the voluminous program of events in celebration of the 750th anniversary of the foundation of Berlin.

9. The Increase in the 1987 Defense Budget

In 1986 the planned growth of published defense spending exceeded a billion for the first time in the history of the GDR (planned rise in spending compared with 1985: M1,004 million; rate of increase in defense expenditure: 7.7 percent). According to the new budget plan, the defense forces will be allocated almost M1,100 million more in 1987 for the maintenance, equipment and training of the navy, air force and army units (planned expansion of defense spending by comparison with 1986 7.8 percent; fixed additional expenditure: M1,096 million).

Comparing the rise in defense spending with the rates of increase for other expenditures, defense spending has long displayed the highest growth in GDR budget allocations. This is confirmed by the fact that the GDR Government has decided once more in 1987 to increase spending for the National People's Army (NVA) at a faster rate than the total of budget revenues and spending (growth planned for the total budget in 1987: 5.7 percent; planned rise in published defense spending: 7.8 percent). The 1986 budget also provided for the above proportional growth of the defense budget.

By contrast to most other items of expenditure, actual spending for the armed forces has agreed to the last mark with planned spending in the past 15 years. This state of affairs is unlikely to change in the coming budget year. We may therefore confidently assume that the GDR leadership will in fact spend M15,141 million on personnel and weaponry in 1987. This amount is almost the same as total planned 1987 government spending on

- Housing construction, modernization and repair,
- The rehabilitation and development of the inner cities,
- The construction of communal facilities in the field of education, health care and social welfare, culture, recreation and sports.
- The maintenance and management of the housing stock, and
- The supply of basic services to cities and villages (electricity, gas, water, heat) as well as garbage removal from settlements.

In order to record total spending on all parts of the forces, on weapons, ammunition, military equipment, vehicles and naval vessels, fuel, barracks, armories, training camps, naval ports, maneuvers and other defense measures, we need to add to the costs of the National People's Army the money spent on the border troops and the maintenance and improvement of border fortifications. These clearly military expenditures are not included in the M15.1 billion quoted above. The GDR's defense budget is thereby increased by another (estimated) M4.3 billion to M19.4 billion.

Assuming this estimate to be correct, each GDR resident needs to pay defense costs in the amount of M1,166 in 1987. This contribution corresponds to the average monthly salary earned in 1985 by a fully employed blue or white collar worker in the GDR's state economy (normal monthly wage: M1,140). Compared with monthly pensions in the GDR, the contribution to the defense budget equals average social security pensions paid in the course of 3 months.

In 1985 a GDR pensioner received an average pension in the amount of M377 per month.

The defense spending listed here is based solely on the expenditure published by the East Berlin Government with respect to the armed forces. These figures definitely do not account for all public funds used for defense purposes. Not included in the published spending on "national defense" up to now is the cost

of defense construction work (such as the construction of barracks, ammunition depots, vehicle storage and hangars on military air bases, of naval bases and military hospitals). In addition, the published defense budget does not provide money for the major part of military research, officer training at the universities, the premilitary training of youths and the training and equipment of enterprise kampfgruppen (400,000 personnel).

10. Spending on State Security and Border Barriers

Once again surprising amounts are additionally required to safeguard the SED's one-party rule, improve state security, maintain the apparatus of justice (criminal prosecution, trials, the penal system), safeguard public order (police), maintain and equip the border troops and perfect the blockage of the borders with the West. In 1987 the GDR Government will need almost M400 million more for these purposes than in 1986. Altogether the government will pay M5,757 million to secure its rule at home and at the borders as well as maintain the apparatus of justice and the police. This spending total exceeds by 6.9 percent the expenditure on this sector in the previous year.

Table 1: Rise in the Revenues of the GDR's Total Public Funds 1976-1987(1)

Year	Total Budget Revenues	Increase in Revenues Compared to Previous Year	
	million mark	million mark	percent
1975	102,434		
1976	105,360	2,926	+ 2.9
1977	111,794	6,434	+ 6.1
1978	118,277	6,483	+ 5.8
1979	125,730	7,453	+ 6.3
1980	145,449	19,719	+ 15.7
1981	151,796	6,347	+ 4.4
1982	166,716	14,920	+ 9.8
1983	175,861	9,145	+ 5.5
1984	196,580	20,719	+ 11.8
1985	218,238	21,658	+ 11.0
1986	225,634	7,396	+ 3.4
(2)			
1987	238,591	12,957	+ 5.7
(2)			

(1) Total revenues of the GDR's united state budget excluding employer and employee social security contributions but including carry forwards and budget surpluses. (2) Planned.

Sources: Council of Ministers' budget accounts for the People's Chamber; laws on the GDR's state budget; GDR statistical yearbooks; own calculations.

Table 2: Planned and Actual Budget Surpluses of the GDR's Total Public Funds
1978-1987

Year	Budget Surpluses	
	Budget Plan Target	Actual Budget Account
Million Marks		
1978	54	499.0
1979	63	410.8
1980	65	304.0
1981	70	300.0
1982	75	765.0
1983	100	720.4
1984	120	1,756.0
1985	140	1,142.6
1986	160	
1987	165	

Sources: Council of Ministers' budget accounts for the People's Chamber; Laws on the state budget plan; Speeches by the GDR Finance Minister when presenting the budget plan.

Table 3: Structure of the Revenues of the GDR's Total Public Funds
Budget Revenues from the State Economy, Subdivided by Types of Taxes

Types of Taxes	1976	1978	1980	1981	1982	1983	1984	1985
Percentages								
Corporation taxes of enterprise (VEB's) and combines								
1. Profit tax (net profit tax)	55.7	54.9	62.0	61.1	64.8	64.7	43.2	38.8
2. Payroll tax ("contribution to funds")	-	-	-	-	-	-	21.5	25.5
3. Capital tax (production and commercial fund tax)	35.2	33.8	28.2	28.7	26.0	26.6	26.9	27.5
4. Bank and S&L taxes	9.1	10.5	9.3	9.8	9.0	8.5	8.2	8.1
5. Land use fees	-	0.8	0.5	0.4	0.2	0.2	0.2	0.1
Total income of the united budget from the state economy	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: GDR Council of Ministers' accounts for the People's Chamber; own calculations.

Table 4: Spending by the State and Enterprises in All Economic Sectors of the GDR on Research, Development and the Transfer of Innovations to Day-to-day Production

Year	Planned Spending	Actual Spending	Increase or Decrease in Actual Spending		Actual Use of the Money Made Available	
			mill. Mark	mill. Mark	Percentage	Percentage
1960	-	-	-	-	-	-
1964	1,640	1,550	-	-	95	
1965	2,180	2,060	+ 510	+ 32.9	94	
1966	2,580	2,540	+ 480	+ 23.3	98	
1967	2,780	2,740	+ 200	+ 7.9	99	
1968	3,120	3,080	+ 340	+ 12.4	90	
1969	3,570	2,950	- 130	- 4.2	83	
1970	4,700	4,200	+1,250	+ 42.4	89	
1971	5,300	4,487	+ 287	+ 6.8	85	
1972	5,600	4,770	+ 283	+ 6.3	85	
1973	5,600	4,897	+ 127	+ 2.7	87	
1974	5,800	4,882	- 15	- 0.3	84	
1975	5,800	5,066	+ 184	+ 3.8	87	
1976	6,100	5,392	+ 326	+ 6.4	88	
1977	6,600	5,833	+ 441	+ 8.2	88	
1978	7,200	6,279	+ 446	+ 7.6	87	
1979	7,300	6,632	+ 353	+ 5.6	91	
1980	7,600	7,052	+ 420	+ 6.3	93	
1981	8,400	7,686	+ 634	+ 9.0	91.5	
1982	8,900	8,120	+ 434	+ 5.6	91	
1983	9,300	8,165	+ 45	+ 0.6	88	
1984	10,500	8,750	+ 565	+ 7.2	83	
1985	10,800	9,498	+ 748	+ 8.5	88	
1986	11,600	10,200(1)	+ 702(1)	+ 7.4(1)	88(1)	
1987	13,000					

(1) Estimated.

Sources: Laws on the GDR Economic Plan; Council of Ministers' budget accounts for the GDR People's Chamber; Speeches by the GDR Minister for Finance to introduce the state budget plan and explain budget accounts; including Ernst Hoefner (minister for finance) "Major Government Financial Resources for the Further Development of the Standard of Living," NEUES DEUTSCHLAND, 30 November/1 December 1980, pp 5/6; H.E.Haase, "Trends of the GDR Economy in the 1980's. A Forecast of Problems," BERICHTE DES OSTEUROPA-INSTITUTS AN DER FU BERLIN, Series Economy and Law, No 124, Berlin 1980, p 81; H.F.Buck, "Research and Technology Policy in the GDR - Objectives,

Management Instruments, Means of Mobilization and Results," in G.Gutmann (editor) "Das Wirtschaftssystem der DDR" [The GDR Economic System], Stuttgart/New York 1983, p 278; 1984 GDR Statistical Yearbook, p 100 and 1985 GDR Statistical Yearbook, p 29.

Table 5: Spending by the GDR State Budget on Research and Development and for the Financial Equipment of the Academy of Sciences (AdW)

Year	Spending on Research and Development(1) (excluding Spending on the AdW)			Spending on the Maintenance and Financing of Research Projects of the Academy of Sciences (1)		
	Planned Spending	Actual Spending	Percentage Rise of Actual Spending Compared to Previous Year	Planned Spending	Actual Spending	Percentage Rise of Actual Spending Compared to Previous Year
	Million Mark	Percent		Million Mark	Percent	
1980	2,000	2,086	+ 14.2	733	495	+ 3.0
1981	2,300	2,264	+ 7.7	792	525	+ 6.1
1982	2,300	2,360	+ 5.1	812	570	+ 8.6
1983	2,400	2,333	- 1.1	865	583	+ 2.3
1984	2,600	2,242	- 3.9	797	627	+ 7.5
1985	2,600	2,688	+ 19.9	839	692	+ 10.4
1986	1,721			1,079		
1987	2,247			1,153		

(1) Excluding Expansion investments in research facilities.

Sources: Laws on the GDR State Budget Plan; Speeches by GDR Finance Ministers at the presentation and introduction of the state budget plans; GDR Council of Ministers' budget accounts for the People's Chamber; GDR Statistical Yearbooks.

Table 6: Development of per Capita Spending on Carriers and Methods of Transportation in the GDR from 1979 through 1987 (1)

Type of Spending	1979	1980	1981	1982	1983	1984	1985	Rise in Type of Spending	1986	1987
								(1979=100)	Planned Spending	
in Mark										in Mark
1. Spending on Maintenance & Repair of Roads & the Road System	94	78	83	78	91	108	154	164		
2. Spending on Maintenance & Repair of Railroads	78	88	94	98	89	98	114	146		
3. Spending on Overseas & Inland Ports & Waterways	7	8	9	9	8	12	14	200		
4. Spending on Maintenance & Repair of Airports	2	2	2	2	5	3	3	150		
5. Total Spending	181	176	188	187	193	221	285	157	304(2)	320(2)

(1) Excluding the new construction of transportation facilities (expansion investments).

(2) Calculated on the basis of mean 1985 population figures.

Sources: GDR Statistical Yearbooks, various volumes;

GB1 DER DDR, Part I No 30 p 343;

NEUES DEUTSCHLAND, 28 November 1986.

Table 7: Spending on Assistance of Families with Children, Easing the Burden on Working Mothers and on the Growth of the Birth Rate(1)

Type of Spending	1983	1984	1985	1986(2)	1987(2)
million Mark					
1. Spending on Family Allowances & Maternity Benefits	1,396.5	1,363.2	1,344.7	1,336.0	.
2. Spending on Pregnancy and Delivery Allowances	775.4	766.8	788.1	.	.
3. Spending on Temporary Leave for Working Mothers (Baby Year)	326.4	352.9	385.6	1,190.0	.
4. Spending on Temporary Paid Leave of Working Mothers to Look after Sick Children	.	242.5	276.3	290(3)	.
A. Total Spending (Nos 1-4)	2,498.3	2,725.4	2,794.7	2,816.0	4,616.0
5. Spending on Special Aid to Large Families	50.5	69.9	90.4	.	.
6. Spending on the Assumption of Some Repayments and Interest Payments of Loans Granted Young Couples (Marriage & Furnishing Loans)	208.1	215.7	206.9	221.2	231.2
B. Total Spending (Nos 1-6)	2,756.9	3,011.0	3,092.0	3,-37.2	4,847.2

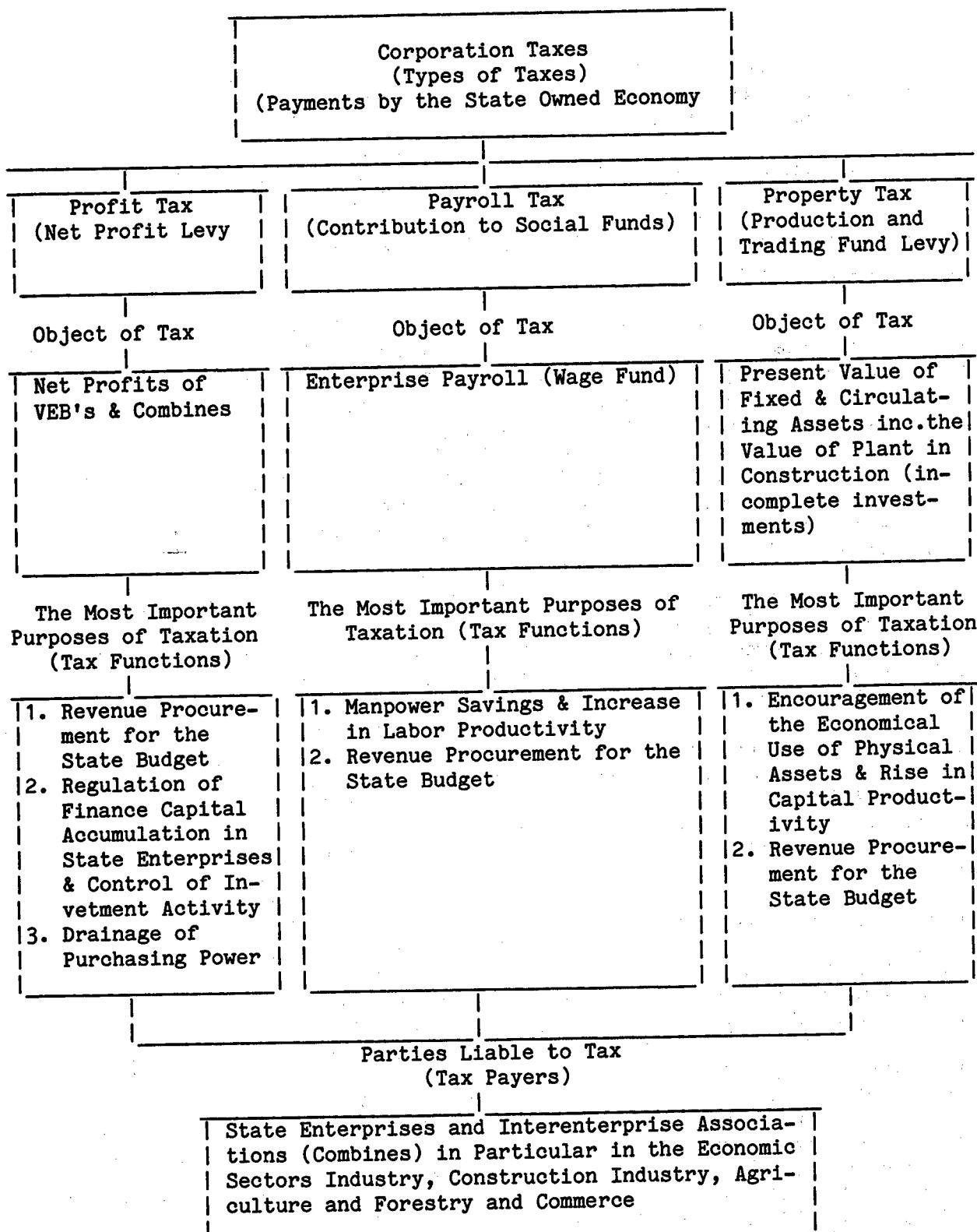
(1) Excluding spending on investments and the upkeep of day care centers, nursery schools, children's and youth homes, Pioneer stations and Pioneer houses as well as summer camps. Also excluded were state spending on youth tourism and the costs of children's and school meals.

(2) Planned.

(3) Estimated.

Sources: 1986 GDR Statistical Yearbook, pp 262/263;
Laws on GDR State Budget Plans;
Speeches by the GDR Minister for Finance.

Chart: The "Three-Channel Tax System" of Corporation Taxation in the GDR State Economy as of 1 January 1984



FOOTNOTES

1. On the economic and financial functions of taxes and the state budget in the GDR see my main article on the topic "Financial System" in "DDR Handbuch" [GDR Manual], 3rd edition, Cologne 1985, pp 400-411.
2. See the "Law on the 1987 State Budget Plan of 27 November 1986," GB1 DER GDR Part I No 36, pp 471 ff and NEUES DEUTSCHLAND, 28 November 1986. See also (by way of comparison) the "Law on the 1986 State Budget Plan," NEUES DEUTSCHLAND, 30 November/1 December 1985, p 11, and GB1 DER DDR, Part I, No 30, pp 343/344.
3. See Ernst Hoefner (GDR minister for finance), "Extensive Government Money's Guarantee Social Security for All Citizens," NEUES DEUTSCHLAND, 28 November 1986, pp 5/6; the same also, "Major Government Financial Resources for the Further Development of the Standard of Living," NEUES DEUTSCHLAND, 30 November/1 December 1985, p 5.
4. See the "Law on the 1987 Economic Plan of 27 November 1986," GB1 DER DDR Part I, No 36, pp 466ff, complemented by the "Law on the 5-Year Plan for the Development of the GDR's National Economy 1986-1990 of 27 November 1986", ibid, pp 449ff.
5. See "Decree on the Contribution to Social Funds of 14 April 1983," GB1 DER DDR Part I, No 11, p 105 and "First Implementing Regulation," ibid, pp 106ff. Also "Order on the Planning and Payment of the State Surcharge on Proceeds of 2 June 1983," GB1 DER DDR, Part I, No 15, pp 164ff. A very interesting paper by Alexander Barthel suggests that the "contribution to social funds" does not represent a "payroll tax" or "a kind of payroll tax." Judged by the criteria for genuine taxes, established by western monetary doctrine, this levy lacks the essential feature of (from the fiscal standpoint) making "a definite contribution to the state tasks to be financed." I am unable here to fully comment Barthel's assertion. Still, we consider this levy to be entirely comparable with a payroll tax, because--after a 3-4 year adjustment period for the conversion from a two-channel to a three-channel tax system--it will have a significant role in the procurement of money for the state. However, we will not be able to clearly demonstrate this until the time that the extensive reviews of capital goods and investment goods prices coordinated with the new system of corporation taxes, and of the prices for industrial consumer goods will have been completed. Incidentally, as regards all "corporation taxes" raised by the GDR state economy and, at least, the most productive public tax, we may doubt whether this represents a genuine "tax" in the strict definition of western tax teaching. Nevertheless it must be possible to describe a type of revenue obtained by the GDR state budget as a "tax" even if financial leverage is more of a consideration than fiscal productivity. See Alexander Barthel, "The Contribution to Social Funds - a Payroll Tax?" DEUTSCHLAND ARCHIV, No 4/1986, pp 381-388, here pp 386ff.

6. See Bernd Spindler, "Farm Policy by Reform of Farm Prices in the GDR," published by Gesamtdeutsches Institut, Bonn, May 1984; see also the extensive new study on this topic by Horst Lambrecht, "GDR Farm Policy Gambles on High Producer Prices," DIW WOCHENBERICHT No 7/1987, 12 February 1987, pp 93-99.
7. See also Hannsjoerg F.Buck, article on "Farm Taxation," in "DDR Handbuch" [GDR Manual], Vol 1, A-L, third revised and expanded edition, Cologne 1985, pp 25-29.
8. See "Law on the 5-Year Plan for the Development of the GDR National Economy 1986-1990 of 27 November 1986," NEUES DEUTSCHLAND, 28 November 1986, p 11.
9. See Ernst Hoefner, (GDR minister for finance), "Extensive Government Money's Guarantee Social Security for All Citizens," NEUES DEUTSCHLAND, 28 November 1986, p 5.
10. These large-scale research facilities as well as other research institutions receiving financial assistance from the joint federal-Laender subsidies include, among others, the foundation "German Electron-Synchroton" (DESY), Hamburg, the German Research and Testing Institution for Aviation and Space Travel in Porz-Wahn, the German Cancer Research Center, Heidelberg, the Hahn-Meitner Institute for Nuclear Research, the Nuclear Research Facility Juelich and the Nuclear Research Center Karlsruhe.
See the "1984 Federal Report on Research," published by the Federal Ministry fo Research and Technology, Bonn 1984, pp 235ff and 247ff.
11. The following studies report on the key objectives, management tools and results of GDR R and D policy in the 1970's and 1980's see: Guenter Lauterbach, "Technischer Fortschritt und Innovation - Zum Innovationsverhalten von Betrieben und Kombinaten in der DDR" [Technological Progress and Innovation - On the Attitude of GDR Enterprises and Combines to Innovation], Erlangen, 1982; Angela Scherzinger, "Aspects of R and D Planning in the GDR," VIERTELJAHRESHEFTE ZUR WIRTSCHAFTSFORSCHUNG, No 1/1983, pp 76-83, and Hannsjoerg F.Buck, "Research and Technology Policy in the GDR - Objectives, Management Tools, Means of Mobilization and Results," in Gernot Gutmann (editor), "Das Wirtschaftssystem der DDR" [The GDR Economic System], Stuttgart/New York 1983, pp 229-309
12. In the period preceding the Tenth SED CC Plenum (20/21 June 1985), when the GDR leadership dealt in unprecedented detail with the defects of and future tasks of research and technology polic, and until July 1986, industrial and construction combines concluded 62 coordination contracts with the Academy of Sciences. Continuing on from these skeleton agreements, the state economy placed almost 600 research orders with AdW research facilities. Their concrete objectives, extent, term and payment were set out in very detailed "performance contracts." Performance contracts were normally linked to "tasking workbooks" that specify the

special demands on the performance of individual researcher and teams of researchers and offer graduated premiums as incentives. An even sharper increase was recorded in the figures for performance contracts concluded between combines on the one hand and the AdW and universities on the other. According to the data of the plan fulfillment report for 1986, published on 19 January 1987, as many as 2,300 individual performance contracts were already recorded. On that basis a total of more than 150 combines managed to preempt almost half the AdW's research capacities for the accomplishment of their enterprise research assignments.

Combine-Academy of Construction research cooperation also was put on an economic footing at this time. At end 1986, 60 percent of the academy's research capacity was being used to assist combine research and innovation strategy.

See "Resolution on the Principles for the Organization of Economic Relations of Industrial Combines with the Facilities of the Academy of Sciences as well as the University System of 12 September 1985, GB1 DER DDR, Part I, No 2, pp 9ff.

Also "Decree on the Management, Planning and Financial of Research at the GDR Academy of Sciences and Universities and Colleges - Research Decree - of 12 September 1985," ibid, pp 12ff.

See also Franz Hoche, "New Criteria for Research Cooperation Between Combines and the Facilities of the GDR Academy of Sciences and the University System," WIRTSCHAFTSRECHT, No 2/1986, pp 32-36.

Werner Scheier (AdW president), "New Stage in the Interaction of Research and Production," NEUES DEUTSCHLAND, 22/23 June 1985, p 3, and Wolfgang Biermann, "The Scientific Potential of the Combine," EINHEIT, No 1/1986, pp 21-27.

The following publications also include interesting data: "Plenary Meeting of the Academy of Sciences - Cooperation with Combines Expanded at the Highest Level," NEUES DEUTSCHLAND, 18 October 1985, p 2; "Academy of Sciences with Greater Potential," PRESSE-INFORMATIONEN, published by the Press Office at the GDR Council of Ministers, No 104, 6 September 1985, pp 5/6;

"Close Cooperation between Universities and Combines," PRESSE-INFORMATIONEN, No 3, 9 January 1986, p 6;

"Answer to Questions on Key Technologies," PRESSE-INFORMATIONEN, No 87, 29 July 1986; and

Klaus Daeumichen, "Topical Problems and Trends of the Intensification of University Research in the GDR," DAS HOCHSCHULWESEN, No 4/1986, pp 87-90. Finally, see the report, "Staff of the Construction Academy to the SED Central Committee: Top Performance for the Development of Urban Construction and Architecture" and "Science and Day-to-day Operations Are a Successful Pair (As Demonstrated by a Construction Academy Exhibition)," NEUES DEUTSCHLAND, 19 January 1987, p 3.

13. See Ulrich Hofmann, (first vice president of the GDR AdW), "Basic Research Jointly with Combines," PRESSE-INFORMATIONEN, No 28, 7 March 1986, pp 2/3.
14. See also Hannsjoerg F.Buck, "Rationalization Key Points in the GDR Transportation System Through 1985," DEUTSCHLAND ARCHIV, No 5/1981, pp 487-506, and

Rosemarie Schneider, "Rail Freight Traffic - Realization of Targets Following the Tenth SED Party Congress," FS-ANALYSEN, published by the Research Agency for All-German Economic and Social Issues," Berlin, No 3/1985.

15. See "Decree on the Further Improvement of Working and Living Conditions of Families with Children of 24 April 1986," GB1 DER DDR, Part I, No 15, pp 241ff, and DEUTSCHLAND ARCHIV No 6/1986, pp 667-668.
16. See "Decree on the Grant of Loans on Preferential Terms to Young Couples of 10 May 1972," GB1 DER DDR, Part II, No 27, pp 316ff, and the two relevant supplementing and amending decrees of 21 July 1981 (GB1, Part I No 24, p 297) and 24 May 1984 (GB1 Part I No 16 p 196), Also the new "Decree on the Grant of Loans on Preferential Terms to Young Couples of 24 April 1986," GB1 DER DDR, Part I No 15, pp 244ff.

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HUNGARY

ECONOMIC

ATTEMPT TO SAVE 'GIANT' ENTERPRISE FROM BANKRUPTCY DESCRIBED

Budapest MAGYAR NEMZET in Hungarian 16 May 87 p 7

[Interview with Peter Kortvelyessy, president, DELEP, by Miklos Halasz: "To Climb Out Of the Hole--One Who Came Close To Bankruptcy"]

[Text] The Southern Hungarian Construction Enterprise [DELEP], Csongrad County's largest construction enterprise announced a competition to fill the position of enterprise president. The position became vacant as a result of retirement. There were six applicants. Based on some definitive perceptions concerning the future of the 4,000-employee DELEP, the enterprise council drafted a statement and found Peter Kortvelyessy as suitable to fill the position. At 37, the new executive is a professional engineer specializing in bridge and tunnel construction. Following his years at the university, he worked for the Bridge Construction Enterprise, and later became chief engineer at the County's Investment Enterprise. Five years earlier, at the latter employer too, in a manner similar to his employment at DELEP, he competed for the position of president and was chosen to fill that post. There is a substantial difference between the situation of the two enterprises however: DELEP, by now, is at the verge of bankruptcy.

[Question] I assume that there are only a very few who still envy your situation. During the past several months there were more applicants for unskilled labor jobs than for the position of president. On the other hand, many feel that it is always easier to find superiors than subordinates.

[Answer] I was never concerned about my adversaries, but I always knew that I was not about to embark upon a holiday cruise. Many asked whether I was mistreated as president of the Investment Enterprise, to which I respond by saying that I was attracted by the difficult task. I am young--when, if not now, should I prove myself? Why would I have left? My present salary is lower than it was at the Investment Enterprise.

Plan For Recovery

[Question] You have been DELEP's president for two months now. Don't you feel that in seeking this position you were actually applying for bankruptcy? There are rumors according to which a commissioner will be appointed to head DELEP in the not too distant future.

[Answer] There are such rumors, but I do not believe that this would be the case. I would not have taken the job had I not been certain that bankruptcy can be avoided, if I had no faith in this enterprise. I do not intend to be silent about our difficulties. I am aware of DELEP's critical situation. The concern is rather great: losses amount to 334 million forints, and funds are short by 624 million forints. And this year's anticipated loss is not included in these figures. But the shortage can be settled. I did not dive into the bankrupt situation--a lot of information was available to me as an investment executive. The truth is, however, that I learned a lot of things only after my arrival. Well-informed staff experts counted on a 1986 loss of 220 million forints only. As it turned out later, the shortage was much greater. This uncertainty was no cause for joy. In contrast to a normal change in leadership the learning period here is much shorter, but this means more independence, and more independence is also attractive.

[Question] In what way do you perceive recovery? Considering the gigantic size of DELEP--at least relative to other enterprises in the countryside--is there a chance that DELEP will climb out of the hole, or will it sink further down?

[Answer] Experts have been debating the ideal size of enterprises for quite some time. It now appears that it is not beneficial to be of large size. A bicyclists rides easily and fast on a road that has the trucks all piled up. This comparison is applied to the economy by many. We too are shrinking, we got rid of some subsidiaries and are reducing the number of employees by 130. In some fields--in the area of physical labor--we would hire some master workers, after all, our task is worth 1.8 million forints this year. Our work next year is cut to a similar size. Our concerns are the same as those of other enterprises: expert knowledge and working hands have been misplaced within the enterprise. Forty-nine office workers have volunteered to quit, among these, however, there are several whom we would like to retain. Workforce reduction affects certain areas only within the enterprise. The most important first step in proving our viability is the restoration of the financial balance.

Who Would Buy A Manufactured Housing Plant Today?

[Question] How is that possible?

[Answer] We sold our workers' residence for 180 million forints to the university. It became a college. The asking price for our subsidiary in Bekescsaba is 40 million forints. We found a buyer for our 9-story office building at 100 million forints--it was purchased by the Revenue Directorate of the Ministry of Finance. We will be satisfied with the other building that is smaller. We will also sell one of our industrial plants. We made an offer to sell our sports arena to an institution of higher education. The city experiences a shortage of such facilities. We will concentrate industrial production in the superfluous bays of the manufactured housing plant, and thus, perhaps, we will free some more fixed assets for sale. If we succeed in our plans to sell, we will have more funds than the existing shortage. The difference--the surplus--is subject to a refund on profit taxes. In this way it may be possible that we can recover by using our own strength. Within this

strategy we also plan to reduce operating funds, because our production capacity will be reduced also. The above-described process appears to be the most favorable approach to recovery.

[Question] But you can't sell everything--selling out cannot continue forever. A layman may view this as some clever financial gimmick. For this reason I would like to find out in what way you are strengthening your market position.

[Answer] This is the most difficult question to ask from an impoverished enterprise.

[Question] What would you do if the Csongrad county council would do the same as the Szabolcs county council, that is to discontinue slat construction? There are many who years ago pronounced the death sentence over manufactured housing. Presumably it is manufactured housing that destroyed DELEP.

[Answer] Changing the production structure is very difficult. A change in technology requires capital. And we have very little money, or more accurately, as soon as we have some money it will be sufficient to settle the financial problem. Certainly there will not be enough money for the introduction of new technology, like other construction enterprises we too are dancing while being tied into knots. Regarding slat construction, the situation is not as desperate as in other geographic areas. We have received a two-year contract for the construction of 2,000 residential dwelling units. Each year we would have to build 1,600-1,800 dwelling units in order to run a deficit in our manufactured housing program. At the same time, we are able to sell only 1,000 units per year.

[Question] Accordingly, will you continue keeping the source of losses?

[Answer] The manufactured housing plant cannot be sold. Someone would, perhaps, buy the main plant, but then there is the concrete factory, the steam tubs and the gigantic cranes. Nobody wants those. Without selling these too we would sell the manufactured housing plant at great loss. So, there is nothing else left than to use slats in structures, and to manufacture slats only in quantities demanded by the market, while committing the necessary minimum in operating funds. For this reason, in the future we will use only part of the manufactured housing plant. This is the way to reduce our losses.

The Cause Of Popular Outrage

[Question] Do you like slat construction?

[Answer] I do not like it as an architectural phenomenon. But other static systems, such as UNIVAZ and IMS are not better either. In its present form, slat construction is ugly, and its quality has deteriorated because the forming segment of the manufactured housing plant is obsolete. If we extend the spans we will get rid of the tube-like, badly functioning rooms. And today's needs are better satisfied with larger sizes and new forms. We will not use slats in the frontage of buildings. Thus the buildings will be more acceptable from the viewpoint of urban aesthetics.

[Question] Is that all you have as a remedy?

[Answer] Perhaps this is all we will be able to do. We will discontinue flat roofs--this was the cause of popular outrage over manufactured housing. We will construct only high-pitched roofs. Counting the expenses involved in warranties, the cost of high-pitched roofs is no greater than that of flat roofs. The construction system for neoacid flat roofs was devised earlier--this is what had to be built. There are many flat-roof school buildings in the villages today. They stand out as alien structures, they do not fit into the overall picture. And those that exist leak, it is not only the residential developments that leak.

[Question] What kind of strategy will DELEP adopt?

[Answer] We want to diversify. For the time being, in addition to the manufactured housing plant we only have one, small window factory, but that is not being fully utilized either. We have a newly introduced feature by which managers are appointed for a period of one year. In six months we will review their work and accomplishments, and make further appointments contingent upon the results of the review. Regarding enterprise structure, this is subject to a decision by the enterprise council. One can perceive more changes which will be implemented as needed. We would like to avoid creating new doubts and a passive attitude as a result of organizational insecurity. You can be sure of one thing: we will get rid of anyone who is not willing to shift gears.

[Question] How much time does the enterprise have to effect recovery?

[Answer] We must establish the conditions for financial recovery this year.

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HUNGARY

ECONOMIC

INCENTIVE TO INVEST SAID DECREASING

Budapest OTLET in Hungarian 23 Apr 87 p 16

[Article by Ildiko Szep: "Counting Fortunes--A Billion And A Half Forints Loss In The Construction Industry"]

[Text] Is it worth making significant investments into enterprises in Hungary today? The experience of the past years shows that interest to do so is decreasing. According to some studies, in the early 1980's it was worth investing up to an earnings level of 10,000-12,000 forints. Due to inflation, however, that level is higher today. Nevertheless, many say that small entrepreneurs are cautious. They prefer to spend their money wastefully, rather than to invest into production or services. Academician and Karl Marx University of Economic Sciences [MKKE] professor Mrs Falus, Katalin Szikra, and doctoral candidate and titular docent Maria Petsching have searched for quite some time to find out the causes. We discussed this subject with them.

Studies show that in today's Hungary there are approximately 1,000,000 persons who could be viewed as strong from the viewpoint of having available capital, meaning that after paying their usual monthly expenses a significant surplus remains which would enable them to initiate individual entrepreneurial ventures. In addition to these individuals, there are several million people whose savings would enable them to become a part of investments, perhaps they could become silent partners in some kind of an enterprise. The joint savings of these two strata amount to several billion forints--10 billion forints according to some estimates. Therefore one cannot be indifferent concerning the fate of this amount.

It is in the interest of the economy and of society to rechannel these savings into the production and the service sector so as to improve the standard of supply. Under present economic conditions, however, this perception does not agree with entrepreneurial interests.

The rate of progression applicable to the general earnings tax, and taxes levied on the basis of investments do not stimulate the expansion and development of enterprise. This is vividly demonstrated by the fact that during the five year period between 1979 and 1984 Hungarian small tradesmen in

the average invested only 5,000 forints (!), an amount that is less than that expended by Hungarian households for the purchase of durable consumer goods. And the situation is the same at small enterprises, small cooperatives and shops managed on a contractual basis, as well as in all new forms of small enterprises. In small cooperatives and in workers' business associations [GMK], privately owned fixed assets can be purchased only with moneys that were already taxed. Beginning 1 January 1987 the tax base may be reduced by the amount spent on technical development in GMK-s, in reality, however, the sole interest pertains to employees' surplus earnings and it suffices to maintain the enterprise at the mere threshold of survival.

In addition to a lagging measure of intensive enterprise development, the creation of new enterprises also falls short of what would be required by our economy. Moreover, one finds a decreasing number of entrepreneurial ventures in our days, as compared to the numbers of previous years.

The regulatory changes of 1981-1982 opened up new avenues for small enterprise production. In addition to the 51 small trade and small commercial activities, 29 new forms were added, thus expanding the number of those employed in private enterprise from 120,000 in 1980 to 200,000 in 1984. This represents 5-6 percent of all employed persons.

In judging the situation of the domestic private sector, aside from numerical increases, one must take into consideration some other results, such as the role of private taxi cabs that had a containing effect on price increases. Namely, the 3,500 professional cab drivers and Volan drivers in 1970 were supplemented by some 7,000-8,000 private taxi drivers during the past years. The fact that today, at any hour of the day or night one can find a cab on relatively short notice is not the only effect of this change. One must also consider the fact that in contrast to substantial price increases during the past years, the increase in fares has not even reached the level of the average increase in prices.

Altogether, however, enterprises are unable to perform the role they were supposed to. At present it is the lack of business in food products and of primary employment in the building construction industry that can be felt mostly. In smaller settlements their is a shortage in all types of services. In contrast, the most attractive fields for small enterprise are the transportation of freight and of persons, clothing sold in boutiques, the restaurant and hotel industry, as well as enterprises that are based on intellectual resources (design engineering, GMK computer technicians, etc.) In other words, we are experiencing an upswing only in those enterprises which do not require sizeable investments, and those which produce a short term--one to two years--return on capital. Unfortunately, nothing suggests that the principle of "large volume, steady profits" would prevail in the small enterprise sector. In this respect the lack of confidence demonstrated by small entrepreneurs and their fear of long-term financial commitments resulting from frequent changes in the tax rate over the past 40 years acts as a contributing factor, in addition to the system of taxation and the characteristic features of interestedness. After all, it has occurred just too many times that we had to abide by the "let's tighten the belt," "let's loosen the belt" commands.

To mention the latest instance: following the 1981-1982 actions that encouraged entrepreneurship, since 1984 we once again see the signs of discouragement.

Frequent changes in taxes discouraged entrepreneurs not only from investing large sums of money for expansionary and developmental purposes, but with respect to some, also from starting an entrepreneurial venture at all. During the past year or two the number of trade permits returned to the authorities has increased. Along with this phenomenon, since 1981-1982 an increasing number of persons hold second jobs, or work in addition to receiving pension. As of today, 40 percent of small tradesmen pursue their activities in the form of second jobs. This too demonstrates that it is not the enthusiasm to produce that has relaxed among small tradesmen. It is merely the fact that they do not feel secure regarding the framework of their primary job, even though in the long-run, a 14-16 hour workday is an unrealistic expectation.

This then prompts the question: in what way is the capital that is held back from the creation and the development of enterprises being utilized? Smaller amounts, such as sums of 200,000-300,000 forints are being deposited at the National Savings Bank [OTP]. This is what the state likes to see: it is in this way that it can best interfere with the redistribution of funds. The state can use such funds according to its needs for the provision of OTP loans, subsidies for socio-political purposes, to finance the budgetary deficit, etc.

When it comes to higher income levels, we frequently discover various appearances of wasteful spending. This manifests itself in extravagant lifestyles, in the ownership of villas that fall into the luxury category, in the possession of cars, etc.

It would appear that for the time being, as a result of a short-term budgetary perspective, the state is satisfied with revenues obtained from sales taxes levied upon consumption, and does not utilize the opportunity that presents itself through the stimulation of capital investment. Taking advantage of this opportunity would later permit the taxation of larger amounts of income and would thus yield greater revenues. Accordingly, this perspective produced a situation in which, absent adequate stimulation and interest, the 15,000-20,000 families that command several hundreds of thousand, perhaps millions of forints in savings, over the past years invested their money into real estate, precious metals and works of art, so as to preserve, or perhaps to increase their worth.

We have no data regarding real estate transactions. But the increase in the number of transactions involving precious metals and works of arts can be demonstrated by numerical data. The bulk of transactions involving these commodities takes place through the Retail Store for Sales on Commission [BAV]. BAV's precious metal sales rose from 280 million forints in 1980 to 399 million forints in 1984. Between 1979 and 1984 the sales volume of works of arts also increased greatly. The corresponding figures for the two years respectively are 155 and 251 million forints. This amount of money represents more than 10 percent of the amount spent on consumer goods. Aside from the

size of these amounts, one must also consider the fact that it was a tiny group within the population that purchased these items, that the increase in price of these goods far exceeds the average price increases, and that all this made the buyers of these goods even more wealthy.

The attraction of this type of surplus income into the productive or the service sectors also presents itself as an indispensable condition for the improvement of supplies and of an increase in state revenues. To make this possible, however, enterprises must be placed upon new foundations. A unified, stable personal income tax system also may contribute to progress.

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POLAND

ECONOMIC

STATE LAND FUND IMPACT ON AGRICULTURAL ECONOMY

Sejm Probes State Land Fund Policy

Poznan GAZETA POZNANSKA in Polish 3 Apr 87 p 3

[Article by Feliks Bilos: "The Sejm on Agriculture -- How to Eliminate the Wall of Tears"]

[Text] "The Ministry of Agriculture has already been trying to suspend meat rationing but data from the Chief Statistical Bureau has meanwhile shown that the growth of livestock herds has been set back to the extent that the meat supply in the second half of this year will be no better than 1983's".

Such a notice recently appeared in our newspaper. How different that was from the other publications that usually appear on these same pages! The truth of the matter is that if Polish agriculture could reach the levels of production achieved in Great Poland [Wielkopolska] and its adjoining provinces, our country would not have to worry about its food supplies and rationing would be unknown.

Meanwhile, agricultural economists are alarmed at the fact that the commercial production per hectare has remained lower than it was during the second half of the 1970's. Cow herds are dwindling and milk purchasing is down. About 37 percent and roughly one million farms no longer raise hogs, another 37 percent are not raising cattle and 31 percent are without cows.

Optimists who are excited that we have for the first time exceeded a yield of 30 quintals per hectare need to be reminded that this is not so much the result of our farms' resources and equipment as it is that of good climatic conditions and as we know, weather is changeable and worse years are most certainly coming.

Similar fears accompanied the work of the Sejm Commission on Agriculture, Forestry and Food Management. The deputies of this commission are trying to find out what to do to prevent the government program for the growth of

agriculture and food management until 1990 from sharing the same fate as other such programs from the past.

A poll was conducted among the deputies from the regions with the most alarming news and therefore the northeast area of Poland. This region has come to be known in the Sejm by the sad name of the "eastern wall of tears". The image of this region which does indeed have weak soil but can still produce bread is one of growing areas of unwanted and abandoned lands turned over to the State Land Fund [PFZ], abandonment of rural areas, the flight of young people into the cities and reluctance to increase the size of farms.

"Land without a farm turns wild as does a farmer without a wife. Meanwhile, in 14 communities of Bialystok Province, there are 100 bachelors for every unmarried woman," it was said in the Sejm. "In the village of Szudzialowo, it is said that one can buy a hectare of land for 5000 zlotys but no one is interested. For the sum of an average monthly wage, one can buy a statistically average 5-hectare farm.

"The 'eastern wall of tears' was mentioned here but we still have other such walls such as the Oder region and the mountain areas so one can say there is also a 'western wall of tears'. Kielce Province is also turning 2000 hectares of land a year to the PFZ".

Therefore, what must be done to keep people and especially young people in the rural areas, doing farm work and tying their own futures to that of agriculture?

It was said in the Sejm that "there does not seem to be any other solution than to create the right infrastructure in the areas that people are leaving and to therefore build roads, schools and cultural, trade and service centers".

The Ministry of Agriculture is considering the possibility of creating economic preferences for farms that operate under difficult conditions (and this was strongly demanded by Sejm deputies). This could take the form of long-term low-interest credit for the construction and purchase of farm equipment and tax deductions and payments for soil improvement and irrigation. A slow turnover of land should be supported by a reduction of the tax on the purchase of property rights and credit for land purchases if they help increase farm size. If the PFZ's lands lie idle for a lack of buyers and tenants, it has been proposed that these lands be leased for free on the basis of use contracts and restrictions on the profits gained from produce cultivated on these lands.

Since land has stopped attracting peasants and is no longer attractive, one must ask why.

In more places than the Sejm, it is being said that a pair of hands and some land is not enough for a farm. There continues to be a shortage of machinery

for even the smallest farms and there is also a lack of reliable and inexpensive service. Our machine industry meets less than 5 percent of the needs of agriculture. Furthermore, the industry produces its farm machinery without considering the existing agrarian structure. The machinery produced in Poland can only be used effectively on small farms. How can a grain combine designed to harvest 120-150 hectares per season be efficiently used on a 20-30 hectare farm?

Farmers cannot understand how it is possible that a country with a fairly well-developed machine and automotive industry has been unable for more than 40 years to mass produce a small tractor, an inexpensive and small tractor-drawn combine, motorized harvesters, work machinery, etc. Czechoslovakia which does not have any private farms produces as many as 5 different types of small tractors. The smallest one which is equipped with a reversible plow, spring-tooth harrow, roto-tiller, sprayer and small trailer and costs the sum of what a farmer receives for 22.5 quintals of wheat or as much as a small motorcycle. Small tractors are also produced by Hungary, the USSR and the German Democratic Republic. Only Poland with its 1.5 million farms without horses is not producing these small tractors. An imported small tractor costs more than a large one. The small tractor shown at the Poznan Trade Fair and which is to be produced cooperative with Yugoslavia and which the experts say is only fit for use in gardens will cost 600,000 zlotys!

One deputy rhetorically asked: "Is it not a scandal and a disgrace for the machine industry that Polish agriculture has about 100,000 small tractors made by peasants themselves? In Nowy Sacz Province, for example, three out of every 5 tractors at work in peasants' fields have been made by the peasants themselves or by local craftsmen".

This is one reason that we have had to ration meat for the last 5 years, cow herds and milk purchases are dwindling and that it is also difficult to grow labor-intensive industrial crops. Therefore, the correct views seems to be that of the deputies who say that instead of worrying about the existing size structure of farms which cannot be changed quickly, we must at last, in accordance with the basic principles of agricultural policy, give equal consideration to the availability of means of production and the economic conditions in all sectors of agriculture. For now, we still have a long way to go before we reach that point.

State Land Fund Sales Increase

Lublin SZTANDAR LUDU in Polish 16 Mar 87 pp 1, 2

[Article by [uk]: "New Private Farms Appear -- Bottlenecks in State Deeds Offices -- Much Interest in the Purchase of Lands from the State Land Fund"]

[Text] (Own information) For a few years now, cooperative banks have intermediated in the sale of land from the PFZ to farmers. Last year, these banks helped in 21,500 such transactions involving 47,500 hectares of land.

The most land was sold in Olsztyn Province (more than 5200 hectares), Suwalski Province (more than 3000 hectares), Gorzow Province (more than 2600 hectares) and Zielona Gora and Koszalin provinces.

In our region, the most PFZ land has been bought by farmers from Biala Podlaska Province where 597 transactions were carried out and farmers purchased 980 hectares of land. Most of the buyers already owned a farm, thanks to which there was an increase of several hundred farms. There were also some 35 buyers who wished to start new and independent farms and they purchased a total of more than 130 hectares.

Much land (572 hectares) was purchased last year by farmers from Chelm province where 284 transactions were conducted. Thanks to the purchase of land from the state fund, 37 new private farms were started there. Cooperative banks also intermediated in 100 transactions involving the sale of lands from one neighbor to another. A sum of 88.7 million zlotys were loaned to farmers for these purchases.

As collected information shows, cooperative banks could sell more State Land Fund land were it not for the fact that some are turned over for sale without the required measurement and classification documents and regulation of the legal status of ownership (lack of real estate registers). In many cases, the process of putting together the documents is extended because not all village bureaus have full-time surveyors.

A considerable obstruction to the quick settlement of transactions is the low "output" of state deeds offices. People often wait 2-3 months for a document to be registered. In this regard, the worst situation is found in Biala Podlaska Province where two deeds offices (in Radzyn and Biala Podlaska) cannot keep up with the landslide of work. In order to improve this state of affairs, it is necessary to create new deeds offices in places like Parczewo and increase their personnel by at least 50 percent.

It must be added that cooperative banks give farmers convenient credit for the purchase of PFZ lands. For example, 9.3 million zlotys were loaned for this purpose in Biala Podlaska Province and more than 8.2 million were loaned in Chelm Province.

Growth of State Land Fund

Kielce SLOWO LUDU in Polish 14 Apr 87 p 3

[Article by Halina Bazak: "Scattered Hectares"]

[Text] For several years, the village leaders have warned about an alarming situation: more and more farmers without heirs are giving their land to the state treasury in exchange for pensions. The PFZ's land resources are growing but no willing buyers can be found in spite of the low prices, convenient credit and financial relief. The worst situation is found in regions with

weak soil which are inhabited by peasant-workers. Tracts of farmland add to the misfortune and hasten the liquidation of weak agricultural cooperatives. For example, last year, an agricultural producer cooperative [RSP] at Kopaniny in Kielce Province was put up for liquidation because the cooperative bank refused it credit. It is a shame that this establishment was not given still another chance because it was planning to raise a large herd of hogs. Therefore the buildings and several hundred hectares of land went unused. Economic reform may be pitiless but I think that from a social point of view, it would have been better to risk a loan of several million zlotys than to bear the cost of immediate and inefficient use of the remaining lands.

In Radom Province, the PFZ already has some 13,000 hectares and about 12,000 in Kielce Province. Much of these lands are farmed by tenants on the basis of long-term agreements but no small part of that land is also laying in fallow because there is no one willing to either buy or lease it. In Kielce Province, there are nearly 4000 hectares of fallow (and this sad figure was sharply increased by the liquidation of several cooperative farms) while in Radom Province, 2962 hectares are lying idle. These figures stir the imagination, especially when one considers how much grain and potatoes could be produced on this land if it were properly farmed. Those familiar with the problem say that the problem is still not that bad in Kielce and Radom provinces. Indeed, there is an enormous problem with abandoned land in the eastern regions of our country from Bialystok to Przemysl. However, little comfort can be found in such a comparison.

In the opinion of the Stanislaw Napory, the director of the Department of Land Survey and Management of the Radom Provincial Government, the problem cannot be solved without first consolidating land because it is hard to expect buyers for fragmented and scattered tatters of fields, all the more so as this land is not considered fertile in the first place. In Radom Province, it has become necessary to merge 100,000 hectares. This year, the consolidation of 5000 hectares has been planned. For that purpose, the signatures of willing farmers were collected but that Radom surveyors themselves are not in a position to deal with so much work. They have therefore asked Warsaw surveyors for help.

Land mergers have also been planned in Kielce Province but the greatest obstruction to the merger is a law of several years ago which states that land can only be consolidated when all of the inhabitants of the given region agree to it. There, only a few dissenters are enough to oppose the majority of farmers and production cooperatives. The RSP in Konieczno near Wloszczowa has, for example, 321 hectares in 260 lots (several years ago, there were 640 of these lots in 9 villages). Jozef Grabalski, the director, says that he would prefer to have even the worst land in large fields rather than good land in small scattered lots. I understand him completely.

Land no longer has the value it once enjoyed when it was considered to be a breadbasket. The population of the rural regions is getting old. The generation that fought for this land and received it under reform is now

leaving it. The ethic of the peasant treating the land as a divine honor and the feeder of his nation and family is disappearing. For young people, the land is just another place of work and a difficult source of income and for that reason, many young people are choosing to work for industry rather than accept the exhausting work of the farm. This has also happened because of the social and cultural distance between the social and cultural infrastructures of the cities and rural areas. At one time, marriages were concluded on the basis of the amount of land owned by either prospective spouse. Young farmers now have great trouble finding wives. Often, a worthy farmer cannot compete with a town boy because with few exceptions, girls do not want to live on a farm and grow old early like their mothers did in a landslide of daily responsibilities. They see that a rural housewife is overburdened with work. She has to tear herself out of bed at the crack of dawn to milk cows, feed animals, prepare breakfast for the family, work in the fields and then come back to cook dinner, groom animals and return to the fields to work until dusk when she again must milk the cows and feed the animals. Her responsibilities do not end there either: she still must wash and iron clothes and take care of the children. Almost everyday is the same. And every evening, the tired farmer's wife dreams of only one thing, to rest a little and go to bed.

In Kielce and Radom provinces, there are still no empty farmhouses or villages. But this is a problem that will only get worse. Enormous tracts of farmland are lying in fallow instead of being used to improve the agrarian structure of agriculture, lie unused. The problem is found all over the country. Some central decisions must be made before these problems can be eliminated. Partial solutions do not bring about the expected results. We must create the conditions which will encourage local farmers to enlarge their farms. The necessary conditions are convenient credit, guarantees to buy unnecessary equipment and enough water to meet rural needs. I think that it would be worthwhile to once again support specialized farms. These farms achieve high harvests and produce a lot of meat and milk. A farmer with scores of hectares of farmland is also a good partner for the state because he can provide it with as much produce as the state farms. There is no other solution. Too much is being produced to be sold on the free market.

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